五礦資源有限公司

MINMETALS RESOURCES LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 1208)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2006

HIGHLIGHTS

	2006	2005	Change
	HK$ million	*HK$ million*	
Turnover	**12,829**	3,333	+285%
Profit attributable to shareholders of the Company	**865**	182	+376%
Earnings per share			
- Basic	**HK$0.505**	HK$0.209	+142%
- Diluted	**HK$0.500**	HK$0.209	+139%

The board of Directors (the "Board") of Minmetals Resources Limited (the "Company" or "Minmetals Resources") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2006, together with the comparative figures for 2005.

CONSOLIDATED INCOME STATEMENT

	Note	2006 HK$'000	2005 HK$'000
Turnover	3	**12,829,280**	3,332,765
Cost of sales		**(11,390,423)**	(3,028,661)
Gross profit		**1,438,857**	304,104
Selling expenses		**(104,664)**	(63,136)
Administrative expenses		**(153,191)**	(70,445)
Negative goodwill recognised		**8,518**	80,873
Provision for impairment in alumina purchasing rights		**(877,613)**	–
Write-back of provision for sales contract obligations		**288,395**	–
Other income – net	4	**26,919**	98,772
Other losses – net	5	**(92,399)**	(133,243)
Operating profit	6	**534,822**	216,925
Finance costs – net	7	**(29,150)**	(14,358)
Share of profits less losses of associates		**29,870**	25,046
Profit before income tax		**535,542**	227,613
Income tax credit/(expense)	8	**343,066**	(24,532)
Profit for the year		**878,608**	203,081
Attributable to:			
Equity holders of the Company		**865,320**	181,746
Minority interest		**13,288**	21,335
		878,608	203,081
Earnings per share for profit attributable to the equity holders of the Company during the year	9		
– Basic		**HK$0.505**	HK$0.209
– Diluted		**HK$0.500**	HK$0.209
Dividends	10	**–**	–

CONSOLIDATED BALANCE SHEET

	Note	2006 HK$'000	2005 HK$'000
Non-current assets			
Property, plant and equipment		**538,892**	504,190
Investment properties		**9,590**	14,730
Land use rights		**16,053**	11,992
Construction in progress		**4,576**	5,415
Interests in associates		**47,885**	85,116
Alumina purchasing rights		**2,622,149**	3,601,301
Long-term receivables		**–**	4,808
Available-for-sale financial assets		**450,933**	313,663
Deferred income tax assets		**19,915**	23,849
		3,709,993	4,565,064
Current assets			
Inventories		**598,579**	943,797
Trade and bills receivable	*11*	**937,890**	502,170
Prepayments, deposits and other receivables		**163,406**	43,639
Amounts due from fellow subsidiaries and an intermediate holding company		**7,779**	182,925
Alumina purchasing rights		**–**	293,160
Derivative financial instruments		**818**	6,009
Pledged bank deposits		**38,209**	49,659
Cash and cash equivalents		**2,668,075**	938,086
		4,414,756	2,959,445
Total assets		**8,124,749**	7,524,509
Capital and reserves attributable to the Company's equity holders			
Share capital		**85,722**	85,722
Reserves		**4,139,659**	2,995,301
		4,225,381	3,081,023
Minority interest		**220,206**	203,019
Total equity		**4,445,587**	3,284,042

	Note	2006	2005
Non-current liabilities			
Deferred income		**25,824**	27,138
Provision for sales contract obligations		**–**	24,859
Derivative financial instruments		**7,968**	14,970
Deferred income tax liabilities		**163,572**	688,438
Bank loans		**–**	617,477
Convertible bonds		**980,137**	–
		1,177,501	1,372,882

	Note	**2006**	2005
		HK$'000	*HK$'000*
Current liabilities			
Trade and bills payable	*12*	**642,318**	475,628
Accruals, receipts in advance and other payables		**365,387**	531,979
Advances from banks for bills discounted		**295,699**	55,779
Amounts due to ultimate holding company, an intermediate holding company, fellow subsidiaries and associates		**1,506**	6,890
Provision for sales contract obligations		**–**	1,033,799
Derivative financial instruments		**58,853**	165,931
Income tax liabilities		**65,728**	63,738
Bank loans		**1,072,170**	533,841
		2,501,661	2,867,585
Total liabilities		**3,679,162**	4,240,467
Total equity and liabilities		**8,124,749**	7,524,509
Net current assets		**1,913,095**	91,860
Total assets less current liabilities		**5,623,088**	4,656,924

Notes:

1. **Basis of preparation**

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

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise their judgement in the process of applying the Group's accounting policies.

2. **Adoption of new accounting standards, amendments to existing standards and interpretations**

(a) In 2006, the Group adopted the following amendments and interpretation to existing standards that were effective in 2006 and relevant to the Group's operations.

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
HK(IFRIC)-Int 4	Determining Whether an Arrangement Contains a Lease

The adoption of these amendments and interpretation to existing standards had no material impact on the Group for the year ended 31 December 2006.

(b) The following standards, amendments and interpretations to existing standards are mandatory for accounting periods beginning on or after 1 January 2006 but are not relevant to the Group's operations.

HKAS 19 (Amendment)	Actuarial Gains and Losses, Group Plan and Disclosures
HKFRS 1 (Amendment)	First-time Adoption of Hong Kong Financial Reporting Standards
HKFRS 6	Exploration for and Evaluation of Mineral Resources
HKFRS 6 (Amendment)	Exploration for and Evaluation of Mineral Resources
HK(IFRIC)-Int 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
HK(IFRIC)-Int 6	Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment

(c) The following standards and interpretations to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 March 2006 or later periods. The Group has started considering their potential impact. Based on preliminary assessment, the Group believes that the adoption of these standards and interpretations to existing standards, if applicable, will not result in substantial changes to the Group's accounting policies. The Group has not early adopted these standards and interpretations to existing standards, if applicable, in the financial statements for the year ended 31 December 2006.

HKFRS 7	Financial Instruments: Disclosures
HKFRS 8	Operating Segments
HK(IRFIC)-Int 7	Applying the Restatement Approach under HKAS 29, Financial Reporting in Hyperinflationary Economies
HK(IFRIC)-Int 8	Scope of HKFRS 2
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment
HK(IFRIC)-Int 11	HKFRS 2 – Group and Treasury Share Transactions
HK(IFRIC)-Int 12	Service Concession Arrangements

3. Segment information

(a) Primary reporting format – Business segments

At 31 December 2006, the Group's operations comprised the following main business segments:

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

	For the year ended 31 December 2006						
	Trading	**Aluminium fabrication**	**Copper fabrication and plica tubes production**	**Port logistics services and other industrial operations**	**Corporate and others**	**Inter-segment elimination**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Turnover							
Sales of alumina and other nonferrous metals	**9,286,422**	**–**	**–**	**–**	**–**	**(208,405)**	**9,078,017**
Manufacturing of aluminium foils and extrusions	**–**	**1,519,701**	**–**	**–**	**–**	**(3,148)**	**1,516,553**
Manufacturing of copper rods and plica tubes	**–**	**–**	**2,233,407**	**–**	**–**	**–**	**2,233,407**
Logistics agency fees	**–**	**–**	**–**	**6,479**	**–**	**(5,176)**	**1,303**
	9,286,422	**1,519,701**	**2,233,407**	**6,479**	**–**	**(216,729)**	**12,829,280**
Results							
Segment results	**489,073**	**51,325**	**28,952**	**3,494**	**(38,015)**	**(7)**	**534,822**
Finance costs – net							**(29,150)**
Share of profits less losses of associates	**–**	**–**	**8,636**	**21,234**	**–**	**–**	**29,870**
Income tax credit							**343,066**
Profit for the year							**878,608**
Minority interest							**(13,288)**
Profit attributable to equity holders of the Company							**865,320**

	For the year ended 31 December 2005						
	Trading *HK$'000*	Aluminium fabrication *HK$'000*	Copper fabrication and plica tubes production *HK$'000*	Port logistics services and other industrial operations *HK$'000*	Corporate and others *HK$'000*	Inter-segment elimination *HK$'000*	Total *HK$'000*
Turnover							
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 plica tubes	–	–	30,213	–	–	–	30,213
Logistics agency fees	–	–	–	3,322	–	(1,489)	1,833
	2,086,494	1,252,890	30,213	3,322	–	(40,154)	3,332,765
Results							
Segment results	39,490	37,793	13,050	765	125,819	8	216,925
Finance costs – net							(14,358)
Share of profits less losses of associates	–	–	13,791	11,255	–	–	25,046
Income tax expense							(24,532)
Profit for the year							203,081
Minority interest							(21,335)
Profit attributable to equity holders of the Company							181,746

(b) *Secondary reporting format – Geographical segments*

The Group's activities are conducted predominately in mainland China, Australia and Hong Kong, with the remaining portion of its turnover derived from other countries.

	2006		2005	
	Turnover	**Contribution to gross profit**	Turnover	Contribution to gross profit
	HK$'000	***HK$'000***	*HK$'000*	*HK$'000*
Mainland China	**12,541,206**	**1,350,043**	3,004,071	256,266
Australia	**11,969**	**872**	9,662	1,767
Hong Kong	**10,546**	**615**	8,180	1,024
Others	**1,475,778**	**97,408**	496,236	49,585
Inter-segment elimination	**(1,210,219)**	**(10,081)**	(185,384)	(4,538)
Total	**12,829,280**	**1,438,857**	3,332,765	304,104

4. Other income – net

	2006	2005
	HK$'000	*HK$'000*
Reversal of provision for impairment of receivables	**10,115**	75,093
– Trade and other receivables	**6,223**	59,814
– Amounts due from associates	**3,892**	15,279
Compensation received from customer for cancellation of contract	**5,943**	–
Sales of by-products and other services income	**5,250**	1,946
Amortisation of deferred income	**2,315**	1,691
Government grant income	**873**	866
Rental income from investment properties	**268**	565
Reversal of provision for impairment loss of property, plant and equipment and construction in progress	**209**	2,407
Reversal of provision for a guarantee given to a third party	**–**	6,857
Write-back of trade payables and accruals	**–**	5,831
Others	**1,946**	3,516
	26,919	98,772

5. Other losses – net

	2006	2005
	HK$'000	*HK$'000*
(Losses)/Gains on derivative financial instruments	**(135,530)**	(133,726)
– Aluminium forward contracts	**(153,568)**	(126,521)
– Aluminium options	**10,613**	(7,210)
– Copper futures contracts	**4,840**	–
– Foreign exchange forward contracts	**2,585**	(1,787)
– Interest rate swaps	**–**	1,792
Gain on disposal of available-for-sale financial assets	**31,956**	–
Exchange gains – net	**11,425**	1,003
Gain on disposal of property, plant and equipment	**146**	36
Fair value gain/(loss) on investment properties	**60**	(556)
Loss on disposal of investment properties	**(456)**	–
	(92,399)	(133,243)

6. Operating profit

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

	2006	2005
	HK$'000	*HK$'000*
Auditors' remuneration	**2,382**	1,800
Depreciation	**58,448**	43,439
Amortisation		
– Land use rights	**1,716**	1,150
– Alumina purchasing rights	**394,699**	208,339
Provision for inventory impairment	**75,119**	572
Realisation of provision for sales contract obligations	**(770,263)**	(277,482)
Employee benefit expenses (including directors' emoluments and share-based payments in relation to the share options granted during the year)	**109,322**	75,617
Operating lease rentals on properties	**4,123**	2,550

7. Finance costs – net

	2006	2005
	HK$'000	*HK$'000*
Finance costs		
– Interest on bank loans wholly repayable within five years	**(92,619)**	(26,555)
– Interest on convertible bonds wholly repayable within five years	**(4,034)**	–
– Gain on interest rate swaps	**22,961**	–
	(73,692)	(26,555)
Finance income		
– Interest income on short-term bank deposits	**44,542**	12,197
Finance costs – net	**(29,150)**	(14,358)

8. Income tax credit/(expense)

No provision for Hong Kong profits tax has been made as the Group has no estimated assessable profit generated in Hong Kong for the year (2005: Nil). Taxation on profits arising from other jurisdictions has been calculated on the estimated assessable profits for the year at the rates prevailing in the relevant jurisdictions.

	2006	2005
	HK$'000	*HK$'000*
Current income tax credit/(expense)		
Hong Kong profits tax	**512**	–
PRC enterprise income tax	**(177,212)**	(24,398)
Overseas income tax	**(3,961)**	(1,241)
	(180,661)	(25,639)
Deferred income tax credit	**523,727**	1,107
Income tax credit/(expense)	**343,066**	(24,532)

9. Earnings per share

(a) *Basic*

The calculation of basic earnings per share is based on the Group's profit attributable to equity holders of the Company of approximately HK$865,320,000 (2005: HK$181,746,000) and the weighted average number of 1,714,440,521 ordinary shares (2005: 871,231,555 ordinary shares) in issue during the year.

(b) *Diluted*

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

	2006	2005
	HK$'000	*HK$'000*
Profit attributable to equity holders of the Company	**865,320**	181,746
Add: Interest on convertible bonds	**4,034**	–
Profit used to determine diluted earnings per share	**869,354**	181,746
	Number of shares	Number of shares
Weighted average number of ordinary shares in issue	**1,714,440,521**	871,231,555
Adjustments for assumed conversion of convertible bonds	**23,416,462**	–
Weighted average number of ordinary shares for diluted earnings per share	**1,737,856,983**	871,231,555
Diluted earnings per share	**HK$0.500**	HK$0.209

The effect of share options was anti-dilutive as the exercise price of the Company's share options was higher than the average market price of the Company's share for 2006 and 2005.

10. Dividends

No interim dividend was paid and the directors do not recommend the payment of a final dividend for the year ended 31 December 2006 (2005: Nil).

11. Trade and bills receivable

The majority of sales derived from trading operation are under the arrangement of delivery upon payment from customers, with the remaining amounts on letters of credit. For other business segments, sales are normally made with credit periods ranging from 30 to 90 days. An aging analysis of trade receivables is shown as follows:

	2006		2005	
	HK$'000	*%*	*HK$'000*	*%*
Trade receivables				
Less than 6 months	**275,199**	**81**	232,554	77
6 months – 1 year	**2,583**	**1**	4,770	2
Over 1 year	**63,094**	**18**	63,994	21
	340,876	**100**	301,318	100
Less: Provision for impairment of receivables	**(65,144)**		(70,938)	
Trade receivables – net	**275,732**		230,380	
Bills receivable *(Note)*	**662,158**		271,790	
	937,890		502,170	

Note: Bills receivable are with maturity dates of less than 6 months. Approximately HK$554,968,000 (2005: HK$271,790,000) of which has been discounted to banks or endorsed to suppliers.

12. Trade and bills payable

An aging analysis of trade payables is shown as follows:

	2006		2005	
	HK$'000	*%*	*HK$'000*	*%*
Trade payables				
Less than 6 months	**245,173**	**95**	196,264	100
6 months – 1 year	**4,134**	**2**	25	–
1 – 2 years	**7,767**	**3**	26	–
Over 2 years	**102**	**–**	111	–
	257,176	**100**	196,426	100
Trade payables under endorsed bills	**259,269**		216,011	
Bills payable	**125,873**		63,191	
	642,318		475,628	

13. **Comparatives**

Certain comparative figures have been reclassified in order to have a fairer representation of the Group's activities.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

2006 marked the first full calendar year of operations for Minmetals Resources after the acquisition of the alumina and aluminium businesses from its parent company in October 2005. The injected businesses provided significant contribution to the Group for the year and emerged as the key driving force for our growth.

With the contribution from the injected businesses, the Group reported significant increase in turnover and net profit over the past year. Turnover increased by 285% from HK$3,332.8 million in 2005 to HK$12,829.3 million in 2006. Net profit attributable to equity holders of the Company increased by 376% from HK$181.7 million in 2005 to HK$865.3 million in 2006. Basic earnings per share were HK$0.505 for 2006, compared to HK$0.209 for 2005.

FINANCIAL REVIEW

Turnover

Assets and businesses injections provided growth momentum for the year. As set out in the table below, all business segments showed remarkable growth in turnover in 2006.

	2006	2005	**Increase**	
	HK$ million	*HK$ million*	*HK$ million*	
Trading	**9,286.4**	2,086.5	7,199.9	345%
Aluminium fabrication	**1,519.7**	1,252.9	266.8	21%
Copper fabrication and plica tubes production	**2,233.4**	30.2	2,203.2	7,295%
Port logistics services and other industrial operations	**6.5**	3.3	3.2	97%
Inter-segment elimination	**(216.7)**	(40.1)		
Total	**12,829.3**	3,332.8	9,496.5	285%

Trading business, with full-year contribution from the injected businesses in October 2005, continued to act as the Group's most important income generating engine. Turnover of the trading segment increased by 345% during the year, roughly in line with the increase in the trading volume of alumina, a growth of 375% from approximately 406,000 tonnes in 2005 to approximately 1,927,000 tonnes in 2006.

Another fast-growing segment was copper fabrication and plica tubes production. Starting from April 2006, turnover of this segment included the proportionate consolidated turnover derived from a jointly controlled entity engaging in copper rods production. This jointly controlled entity was owned as to 36% by the Group, of which 11% was acquired in March 2006 and 25% was previously held.

Gross profit
During the year, gross profit increased by HK$1,134.8 million or 373%, representing a higher percentage increase than that of the turnover. Overall gross profit margin raised from 9.1% in 2005 to 11.2% in 2006, reflecting more emphasis on and higher contribution from the trading business, the most significant profit contributor of the Group.

Selling expenses
The Group's selling expenses mainly included port expenses relating to unloading, storing and packing of alumina, inspection fee, transportation costs and employees' costs. Selling expenses increased from HK$63.1 million in 2005 to HK$104.7 million in 2006, primarily due to the increase in port expenses and inspection fee as a result of the increase in trading volume of alumina. However, as benefited from economies of scale, when expressed as a percentage of the Group's turnover, selling expenses decreased from 1.9% in 2005 to 0.8% in 2006.

Administrative expenses
The Group's administrative expenses increased from HK$70.4 million in 2005 to HK$153.2 million in 2006, representing an increase of HK$82.8 million. The increase was mainly attributable to: (i) additional administrative expenses of HK$42.2 million were incurred in 2006 for the alumina trading business (expenses for 12-month's operation in 2006 versus expenses for less than 3-month's operation in 2005); (ii) share-based payments of HK$21.6 million were booked in 2006 in respect of the share options granted by the Company in April 2006; and (iii) additional legal and professional fees were incurred for the Group's capital reduction and corporate governance enhancement projects.

In terms of percentage to the Group's turnover, administrative expenses decreased from 2.1% in 2005 to 1.2% in 2006.

Assessment of alumina purchasing rights and provision for sales contract obligations
In response to the decline in alumina prices in the third quarter of 2006, an re-assessment on the valuation of the alumina purchasing rights and provision for sales contract obligations was made on 30 September 2006. Based on

independent valuation results, provision for impairment of HK$877.6 million and a write-back of provision of HK$288.4 million were made in respect of the alumina purchasing rights and the sales contract obligations respectively. These resulted in a write-back of deferred income tax liabilities of HK$643.8 million during the year. The overall effect of the above has a net positive impact of approximately HK$54.6 million on the Group's results.

Other losses – net

Other losses – net decreased by HK$40.8 million from HK$133.2 million in 2005 to HK$92.4 million in 2006. The decrease was mainly attributable to the gain on disposal of available-for-sale financial assets. During the year, to partially lock up the gains resulting from the hiking gold prices, the Group disposed certain equity securities in Sino Gold Limited, a gold mining company listed in Australia, with secondary listing in Hong Kong since 16 March 2007. This produced after-tax gains of approximately HK$32.0 million.

During the year, the Group incurred net aggregate losses of HK$135.5 million on derivative financial instruments. Included in these net aggregate losses were net losses of HK$138.1 million incurred for aluminium forward contracts, aluminium options and copper futures contracts entered into by the Group to hedge against the commodity price risk arising from its alumina trading, aluminium fabrication and copper fabrication businesses. Such derivative transactions, while the objective is for hedging purposes under the Group's risk management policies, have not qualified for hedge accounting treatment under the relevant accounting standards. The remaining net gains of HK$2.6 million was related to the ineffective hedge portion for the foreign exchange forward contracts and the interest rate swaps entered by the Group.

Finance costs – net

With enlarged operating scale and assets base, the Group's net finance costs increased by HK$14.8 million from HK$14.4 million in 2005 to HK$29.2 million in 2006. Such increase was resulted from the increase in interest expenses of HK$47.1 million (net of the gain on interest rate swaps), after netting off the increase in interest income from bank deposits of HK$32.3 million.

During the year, the Group earned gain on interest rate swaps of HK$23.0 million, which helped to reduce the Group's interest expenses amid the hiking interest rates in 2006.

Share of profits less losses in associates
Among the associates of the Group, Changzhou Jinyuan Copper Company Limited ("Changzhou Jinyuan") and Sino Nickel Pty Ltd ("Sino Nickel") provided the majority of profit contribution during the year. Changzhou Jinyuan and Sino Nickel contributed after-tax profit of HK$8.6 million and HK$19.8 million respectively to the Group in 2006.

Starting from April 2006, Changzhou Jinyuan was reclassified as a jointly controlled entity of the Group and no longer treated as an associate. Sino Nickel is owned as to 40% by the Group and is primarily involved in sourcing mineral resources, especially nickel and copper, from Australia for exportation to the PRC market.

Income tax credit/(expense)
The Group reported income tax credit of HK$343.1 million in 2006 and income tax expense of HK$24.5 million in 2005. Current income tax increased by HK$155.1 million from HK$25.6 million in 2005 to HK$180.7 million in 2006, mainly due to the increase in profit of the trading operation. The Group's deferred income tax credit increased by HK$522.6 million from HK$1.1 million in 2005 to HK$523.7 million in 2006. It was mainly attributable to the write-back of deferred tax liabilities amounting to HK$643.8 million as a result of the reassessment of alumina purchasing rights and provision for sales contract obligations during the year.

SEGMENTAL ANALYSIS
The Group's business comprises four main business segments: (1) Trading; (2) Aluminium fabrication; (3) Copper fabrication and plica tubes production; and (4) Port logistics services and other industrial operations.

Trading
In the year under review, trading business accounted for 71% of the Group's turnover (2005: 62%) and contributed 91% (2005: 18%) of the Group's operating profit. Alumina remained the major trading item for the year. About 82% turnover in this segment was derived from alumina trading.

In 2006, alumina prices experienced volatile changes. Around April and May, the imported alumina sale prices of the Group reached historical new high of approximately RMB6,500 (or US$804) per tonne. However, after that, prices dropped vigorously in the latter part of the year and stated at approximately RMB2,500 (or US$309) per tonne near the year end.

The supply of PRC domestically produced alumina increased sharply in 2006, causing a drop in the demand of imported alumina and eroding the importers' market share. In PRC, the volume of imported alumina dropped slightly by 1.5% to approximately 6,910,000 tonnes in 2006.

Competition and negative market sentiment intensified in the last few months of 2006, consequently caused the ease back in the Group's alumina sales volume and average alumina sales price in the second-half of the year. Nevertheless, with about half of its sales for 2006 were secured by long-term contracts, the Group still maintained a leading position in the market.

		Year Ended 31 December 2006		
Alumina Trading		**First six months**	**Last six months**	**Full year**
Sales volume	*('000 tonnes)*	1,042	885	1,927
Turnover	*(HK$ million)*	4,553	3,071	7,624
Average sales price	*(HK$ per tonne)*	4,369	3,470	3,956
	(US$ per tonne)	560	445	507

During the year, the Group also engaged in the trading of other non-ferrous metals. A total of approximately 77,000 tonnes of aluminium ingots and approximately 9,600 tonnes of copper concentrates were sold, which together accounted for approximately 18% of the turnover in this segment.

Aluminium Fabrication

Aluminium fabrication business accounted for 12% (2005: 38%) of the Group's turnover and contributed 10% (2005: 17%) of the Group's operating profit for 2006.

During the year, the Group had implemented measures to enhance the production yields of its manufacturing processes and rationalise the product and sales mix, thereby maintaining its competitive edge in the market. Sales volume of aluminium foils and extrusion products reached a new high of 63,282 tonnes in 2006, representing a 6% increase over previous year. Increase in sales volume and higher aluminium prices lead to a 21% increase in turnover.

Copper Fabrication and Plica Tubes Production

This segment accounted for 17% (2005: 1%) of the Group's turnover and contributed 5% (2005: 6%) of the Group's operating profit for 2006.

For copper fabrication, the Group operated copper rods production through a jointly controlled entity, which was owned as to 36% by the Group as at 31 December 2006. Since April 2006, the Group has proportionately consolidated the results of this jointly controlled entity. Sales volume of this entity was about 151,000 tonnes in 2006. In 2006, copper rods business faced both threats and opportunities. Surging copper prices not only drove up the production cost but also tightened the working capital of the business. However, it also helped to speed up the market consolidation by excluding out small-scale and less competitive producers. By strengthening cost controls, the copper rods business sustained a reasonable margin of return and contributed operating profit of approximately HK$24.0 million to the Group during the year.

For plica tubes production, despite competition from new entrants into the market, sales volume of the Group can still be managed to boost by 26% from 1.55 million metres in 2005 to 1.95 million metres in 2006. Contribution to operating profit from plica tubes operation amounted to HK$5.0 million in 2006.

OTHER FINANCIAL INFORMATION

Financial Resources and Liquidity

The Group continued to maintain a strong financial and liquidity position in 2006. Total assets increased by HK$600.2 million to HK$8,124.7 million and total equity increased by HK$1,161.5 million to HK$4,445.6 million during the year. As at 31 December 2006, the current ratio was 1.8, based on current assets of HK$4,414.8 million and current liabilities of HK$2,501.7 million.

As at 31 December 2006, the Group had approximately HK$2,706.3 million liquid funds in cash (including cash and cash equivalents and pledged bank deposits). Even after setting off with the total bank borrowings of HK$1,072.2 million and convertible bonds of HK$980.1 million, the Group would still in a net cash surplus position of HK$654.0 million. Hence, gearing ratio (defined as total 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.

Increase in the Group's cash liquid funds during the year was mainly due to the issuance of convertible bonds in December 2006 and the profits generated from operations. Save for those reserved for general working capital purposes, the Group intends to use the funds for future acquisition of alumina-related or aluminium-related businesses and/or other projects.

About 45% and 33% of the Group's cash and cash equivalents at 31 December 2006 were denominated in Hong Kong dollars and Renminbi respectively, while the remaining balance was mainly denominated in US dollars.

The Group's total bank borrowings, of which 53% bears interest at floating interest rate and 47% bears interest at fixed interest rate, reduced by 7% to HK$1,072.2 million at 31 December 2006. About 58% and 42% of the Group's bank loans were denominated in US dollars and Renminbi respectively. All bank borrowings at 31 December 2006 are repayable within one year. The Group is preparing to refinance a bank loan of HK$569.4 million (which has been used to finance the initial payment of alumina purchasing rights and becoming due in June 2007) on a long-term basis.

Significant Investments Held and Material Acquisitions and Disposals

(a) *Investment securities*

As mentioned above, the Group partially disposed the equity securities it held in Sino Gold Limited and realised after-tax gains of approximately HK$32.0 million during the year. As at 31 December 2006, the market value of the remaining securities held amounted to HK$450.9 million, showing an appreciation of about 125% during the year.

(b) *Increase in interest in Changzhou Jinyuan*

Near the end of March 2006, the Group increased its equity stake in Changzhou Jinyuan from 25% to 36%. 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 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 relation to the Group's proposed establishment of a joint venture to develop a bauxite mine and an associated alumina refining facility in Jamaica, an initial pre-feasibility study to assess the quality and quantity of the bauxite reserves is now in progress. Preliminary assessment result is expected to be available in the second-half of 2007.

Issuance of Convertible Bonds

In December 2006, the Group issued zero coupon guaranteed convertible bonds of an aggregate principal amount of HK$1,000,000,000 (with maturity date on 7 December 2011) and raised net proceeds of approximately HK$976.1 million.

The net proceeds are intended to be used by the Company for future acquisition of alumina-related or aluminium-related businesses such as Guangxi Huayin Aluminium Company Limited, Sherwin Alumina L.P. and/or other projects.

Capital Expenditure and Commitments

The Group's capital expenditure for 2006 amounted to approximately HK$29.7 million. It was mainly used for the expansion and upgrade of the production facilities in the aluminium fabrication operation.

As at 31 December 2006, the Group had capital commitments of approximately HK$180.2 million in relation to the expansion of production facilities and the proposed acquisition of additional equity interests in an existing non-wholly owned subsidiary of the Group.

Charge on Assets

As at 31 December 2006, the following assets of the Group had been pledged to certain banks for the banking facilities granted to the Group:

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

(b) Property, plant and equipment, land use rights and inventories of the Group with a total carrying amount of approximately HK$382.7 million; and

(c) Bank deposits of approximately HK$38.2 million.

Contingent Liabilities

As at 31 December 2006, 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$1.5 million (2005: HK$1.4 million).

Events After the Balance Sheet Date

In January 2007, the Company filed a petition to the high court of the Hong Kong Special Administrative Region to seek the court's confirmation of the cancellation of the special capital reserve account of the Company and the reduction of the share premium account of the Company for the purpose of eliminating the accumulated losses of the Company as at 31 October 2006. On 13 February 2007, the court ordered that the cancellation of the special capital reserve account of approximately HK$125,374,000 and the reduction of the share premium account from approximately HK$3,503,362,000 to HK$2,738,934,000 was confirmed.

Risk Management

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

(a) *Commodity price risk*

The Group's major exposure to commodity price risk includes the price fluctuation in relation to: (i) alumina purchases and sales in its trading operation and (ii) aluminium ingots used in the production process for its aluminium fabrication operation. In 2006, the Group entered into aluminium forward contracts and options to hedge against these risks. Under no circumstances, the Group had entered into derivative contracts that were greater than the actual physical stocks that it purchased or sold during the year. At 31 December 2006, the Group's open position was as follows:

Maturity profile	**Aluminium forward sales contract**
	Tonnes
2007	33,330
2008	7,500
Total	40,830

(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/HKD. For 2006, 82% of the Group turnover was denominated in RMB. At 31 December 2006, the total net assets shared by the Group in its PRC subsidiaries, associates and jointly controlled entity amounting to HK$1,464.0 million were denominated in RMB. Fluctuation of the exchange rate between RMB and USD/HKD could affect the Group's performance. Exchange rate fluctuation between AUD and USD/HKD 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 31 December 2006, 53% of the Group's bank borrowings amounting to HK$569.4 million bore interest at floating interest rate. To stabilise its interest expenses against interest rate movements, the Group had arranged interest rate swaps to hedge against the risk, which covered about 94% of the Group's floating rate bank borrowings.

Dividend

As at 31 December 2006, the Company was still in accumulated losses and had no available profits for distribution purpose. Hence the Board do not recommend the payment of a final dividend for the year.

On 13 February 2007, the High Court of the Hong Kong Special Administrative Region made an order confirming the capital reduction of the Company. Credits arising from the cancellation of the special capital reserve account and the reduction of the share premium amount of the Company were then used to set off against the Company's accumulated losses. These adjustments will be reflected in the Company's financial statements for the year ending 31 December 2007.

Since the above court's order date, the Company has a capital structure that would permit the payment of dividends. However, at this stage, there is no assurance that a dividend will be declared or paid in future.

Human Resources

At 31 December 2006, the Group (not including the jointly controlled entity and associates) employed a total of 2,420 employees, of which 16 were based in Hong Kong, 2,392 in mainland China and 12 in Australia. The total staff costs, including the directors' emoluments and share-based payments for the share options granted, amounted to HK$109.3 million for 2006. During the year, 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 salary policies in line with market practice and motivated its staff with performance-based remuneration. Besides, to cope with its business development, the Group has organised in-house training, knowledge sharing and skills transfer activities for its staff as and when appropriate.

OUTLOOK

Although the international and mainland spot price for alumina fluctuated in 2006, affected by the expansion of the PRC new alumina production capacity resulting in an oversupply situation, the Group is still able to leverage on its competitive edge and recorded encouraging results for the full financial year after the assets injection.

For 2007, the alumina trading business will be relatively challenging. Positive aspects included the rebounce of the PRC alumina price from a low level at the beginning of 2007 which gave the then gloomy market an encouragement; and the economic growth of the world and mainland China will cause an increase in aluminium consumption. On the other hand, substantial increase in the alumina production capacity in the PRC will reduce its demand for imported alumina. Due to the uncertainty in the products price, the Group's long-term sales contacts will be reduced by a large extent. The changes in the demand/ supply phenomenon as well as the uncertainty on product prices will have a large impact on our trading business. However, the Group will endeavourer to maintain the profit margins as well as our leading position in the PRC imported alumina market.

In order to strengthen and broaden the businesses, Minmetals Resources served as the capital platform to raise fund for its up-coming mergers & acquisitions and successfully issued HK$1,000,000,000 convertible bonds at the end of last year. The Group will strive to push ahead the negotiations for the acquisition of Guangxi Huayin Alumina Company Limited and Sherwin L. P. from our parent company. The Group will also continue to improve the returns from the fabrication businesses and other industrial operations. In addition, the Group will consolidate its effort to move forward its business chain model by extending to upstream and down-stream business in resources and smelting. The Group will ride on its professional knowledge and experience and expand to other non-ferrous metals businesses with an aim to develop ourselves as an integrated supply-chain conglomerate in resources, trading and fabrication businesses for non-ferrous metals.

As our business is growing, the Group will continue to strengthen our corporate governance, further enhance our governance structure, improve transparency and reinforce internal management structure to effectively control operating risk.

CLOSURE OF BOOK

The Transfer Books and Register of Members will be closed from 14 May 2007 to 17 May 2007, both days inclusive, during which 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 17 May 2007, 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 4:30 p.m. on 11 May 2007.

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

During the year ended 31 December 2006, 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 Practices (the "CG Code") contained in Appendix 14 of the Listing Rules throughout the year ended 31 December 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 every 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 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.

MODEL 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 during the year ended 31 December 2006.

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 control system of the Group. The audit committee has reviewed the audited financial statements of the Group for the year ended 31 December 2006.

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

The annual report of the Company for the year ended 31 December 2006 containing all the information required by the Listing Rules will be published on the websites of the Stock Exchange and the Company (www.minmetalsresources.com) respectively in due course.

By order of the Board
Xu Huizhong
Executive Director and President

Hong Kong, 11 April 2007

As at the date of this announcement, the Board of the Company comprised eleven directors, of which three are executive directors, namely Mr. Xu Huizhong, Mr. Wang Lixin and Mr. Ren Suotang; 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."