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Corporate Information

BOARD OF DIRECTORS

Chairman

ZHOU Zhongshu (*Non-executive Director*)

Executive Directors

XU Huizhong

WANG Lixin

REN Suotang

Non-executive Directors

SHEN Ling

ZHANG Shoulian

ZONG Qingsheng

CUI Hushan

Independent Non-executive Directors

LIU Hongru

CHAN Wai Dune, *FCCA, FTIHK, MSCA, FCPA (Practising)*

TING Leung Huel, Stephen, *FCCA, FCPA (Practising),*

ACA, FTIHK

AUDIT COMMITTEE

Chairman

TING Leung Huel, Stephen, *FCCA, FCPA (Practising),*

ACA, FTIHK

Members

LIU Hongru

CHAN Wai Dune, *FCCA, FTIHK, MSCA, FCPA (Practising)*

ZONG Qingsheng

REMUNERATION COMMITTEE

Chairman

CHAN Wai Dune, *FCCA, FTIHK, MSCA, FCPA (Practising)*

Members

ZHOU Zhongshu

LIU Hongru

XU Huizhong

TING Leung Huel, Stephen, *FCCA, FCPA (Practising),*

ACA, FTIHK

COMPANY SECRETARY

LEUNG Suet Kam, Lucia, *FCIS, FCS*

CHIEF FINANCIAL OFFICER

MAK Hing Keung, Thomas, *CA, FCPA*

QUALIFIED ACCOUNTANT

MAK Hing Keung, Thomas, *CA, FCPA*

LEGAL ADVISERS

Deacons

AUDITORS

PricewaterhouseCoopers

Certified Public Accountants

SHARE REGISTRAR

Computershare Hong Kong Investor
Services Limited

17th Floor, Hopewell Centre

183 Queen's Road East

Hong Kong

PRINCIPAL BANKERS

Citic Ka Wah Bank Limited

Standard Chartered Bank (HK) Limited

Bank of China Limited

China Merchants Bank

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

9th Floor, China Minmetals Tower

79 Chatham Road South

Tsimshatsui

Kowloon

Hong Kong

WEBSITE

www.minmetalsresources.com

STOCK CODE

The Stock Exchange of Hong Kong Limited

1208 (Ordinary Shares)

1508 (Convertible Bonds due 2011)

Financial Highlights

	For the six months ended 30 June		Decrease
	2007 HK\$ million	2006 HK\$ million	
Turnover	4,981	6,858	27%
Net profit attributable to shareholders of the Company	451	580	22%
Basic earnings per share	HK\$0.261	HK\$0.338	23%
Diluted earnings per share	HK\$0.260	HK\$0.338	23%

Chairman's Message

Minmetals Resources reported a turnover of HK\$4,981.2 million and profit attributable to shareholders of HK\$451.0 million for the six months ended 30 June 2007. Earnings per share attributable to the equity holders of the Company was HK\$0.261.

The Group managed to significantly strengthen its business performance and financial position, following the acquisition of the alumina and aluminium businesses from our parent company China Minmetals Corporation in October 2005. In February this year, the High Court of Hong Kong's rectification of the Company's capital reduction, has removed the final statute obstacle for the Company's dividend distribution to shareholders, which has not been made since 1995. To express our gratitude to the shareholders' continuous support to and faith in the Company, the board of directors has resolved to declare an interim dividend of HK0.5 cent per share. We believe it is important to maintain a balance between retaining the necessary capital to fund our future mergers and acquisitions and rewarding our shareholders.

The alumina production volume in China has been increased by over 50 per cent from approximately 5.9 million tonnes in the first half of 2006 to approximately 9.4 million tonnes in the period under review. The upsurge in output had forced alumina price to drop in the second half of 2006 to approximately RMB2,500 per tonne. During the first half of 2007, with the growth in demand for alumina and price adjustments in the domestic market, China's alumina price rebounded to approximately RMB3,900 per tonne, however it was still significantly lower than the highest level of approximately RMB6,500 per tonne in the first half of 2006. Despite continued increase in the alumina output in China in the second half of 2007, the enlarged production capacity of aluminium smelters is expected to drive up the demand for alumina. This together with the upsurge in raw materials cost, particularly in the cost of bauxite, in the past few months, have made alumina price became more stabilised.

Volume of imported alumina into China reduced to approximately 2.7 million tonnes for the six months ended 30 June 2007 as compared to approximately 3.3 million tonnes for the same period last year, as a result of the country's enhanced output volume.

To cope with the macro economic environment of severe pressure on alumina prices and reduced imported alumina into China, the Group will strive to maintain its profitability through: (a) securing the profit margin of alumina sales under the Alcoa contract; (b) pursuing the completion of the acquisition of a 33 per cent interest in Guangxi Huayin Alumina Company Limited ("Guangxi Huayin") from our parent company; and (c) elevating the profit margin and return from its fabrication business.

The Alcoa contract allows the Group to source up to approximately 400,000 tonnes of alumina annually at prices based on cost plus fees up to June 2027. The contract can be regarded as comparable to owning bauxite mine and alumina refinery capacity. Guangxi Huayin, which is still at its development stage, will be engaged in exploration of bauxite and production of alumina with an annual capacity of 1.6 million tonnes of alumina. The completion of the Guangxi Huayin acquisition will enable the Group to secure approximately one third of its alumina production volume and thus will (a) reduce the Group's reliance on imported alumina and (b) enhance the Group's revenue and profit margin.

On fabrication business, the Group has made additional capital investment in North China Aluminium Company Limited ("NCA") this year. The capital injection will provide further funding for NCA's expansion in its composite production capacity and improvement of product quality. By increasing its controlling stake in NCA from 51 per cent to 73.19 per cent, the Group will strengthen its control over NCA. It aims to augment the operation efficiency of NCA's existing production facilities by lowering its production costs in a more efficient manner. With continued product quality enhancement, product mix adjustment, and cost reduction, the profitability of NCA is expected to continue to improve, and its market position in aluminium foil further consolidated.

Chairman's Message

The Group plans to establish a joint venture to develop bauxite mine and to form an associated alumina refining facility in Jamaica. It is currently at the stage of initial pre-feasibility study to assess the quality and quantity of bauxite reserve. The assessment result is expected to be available by end of 2007.

During the year, the Company's immediate controlling shareholder, China Minmetals Non-ferrous Metals Company Limited ("CMN") increased its interest in the Company and strengthening its absolute control of the Group with an aim to further develop the Group into a conglomerate with an integrated supply-chain covering resources, trading and fabrication of non-ferrous metals.

Minmetals Resources is in a healthy financial position. The Group's commitment to and confidence in the non-ferrous metals business is evidenced by its continued investment and development plans in the future. With the aforementioned plans and strategies we are well-poised to further enhance our profitability, return on assets and to create value to our shareholders.

ZHOU Zhongshu
Chairman

6 September 2007

Management Discussion and Analysis

The board of directors (the "Board") 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 2007. This interim financial information has been reviewed by the Company's audit committee and the Company's auditor, PricewaterhouseCoopers, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The auditor based on their review, concluded that nothing has come to their attention that causes them to believe that the interim financial information is not prepared, in all material aspects, in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting".

OVERVIEW

Affected by the surging supply of domestically produced alumina in the People's Republic of China ("PRC"), the volume of imported alumina substantially declined in the first-half of 2007. This change posed a new challenge to our alumina trading business.

Although alumina prices showed rebound in 2007 when compared to the last few months of 2006, they were still in sharp contrast to the historical highs recorded in the first-half of 2006. This, together with the shrink in trading volume, caused a drop in the Group's turnover and profit. For the six months ended 30 June 2007, the Group's turnover and net profit attributable to the Company's equity holders amounted to HK\$4,981.2 million and HK\$451.0 million respectively, representing decreases of 27% and 22% respectively over the corresponding period last year. Basic earnings per share were HK\$0.261 for the first-half of 2007, as compared to HK\$0.338 for the same period in 2006.

FINANCIAL REVIEW

Turnover

During the six months ended 30 June 2007, the Group recorded turnover growth in its fabrication businesses but decline in its trading business. The changes in different business segments are set out in the table below.

	Six months ended 30 June			
	2007 HK\$ million	2006 HK\$ million	Increase/(Decrease) HK\$ million %	
Trading	2,705.1	5,553.2	(2,848.1)	(51)
Aluminium fabrication	986.1	733.8	252.3	34
Copper fabrication and plica tubes production	1,487.4	676.7	810.7	120
Port logistics services and other industrial operations	4.0	3.8	0.2	5
Inter-segment elimination	(201.4)	(109.1)		
Total	4,981.2	6,858.4	(1,877.2)	(27)

Continuous economic growth in the PRC has driven up the demand for aluminium and copper products, especially in the construction, transportation, packaging, publishing and energy sectors. This stimulated the Group's aluminium and copper fabrication businesses, with about 34% and 120% increase in turnover respectively. However, due to the weakened demand for imported alumina and softened prices, the Group's trading business dropped by 51%. Compared to last corresponding period, the Group's total turnover decreased by 27%.

Management Discussion and Analysis

FINANCIAL REVIEW (cont'd)

Gross profit

Gross profit for the six months ended 30 June 2007 was HK\$561.7 million, decreased by 46% when compared with last corresponding period. This was primarily due to the decreases in turnover as well as gross profit margin.

Overall gross profit margin dropped from 15.1% in the first-half of 2006 to 11.3% in the first-half of 2007, which was mainly attributable to: (i) copper fabrication accounted for a higher percentage of the Group's turnover than before; however, its gross profit margin was not as high as that of the other business segments; (ii) in the first-half of 2006 the Group's alumina trading business was particularly benefited from the absurdly high prices of alumina in the PRC market, thus the average selling price of alumina for that period was much higher than that of others; and (iii) the withstanding power of the Group to downside price adjustments of alumina was reduced because certain long-term sales contracts were ended in 2006.

Selling expenses

The Group's selling expenses, mainly comprised port expenses, loading and packing charges, inspection fee, transportation and staff costs, decreased by 24% to HK\$41.0 million. The decrease was in line with the decrease in turnover. Selling expenses to turnover ratio remained stable, which was 0.8%, same as previous year's level.

Administrative expenses

Administrative expenses amounted to HK\$72.5 million for the six months ended 30 June 2007, representing a decrease of 16% over last corresponding period. The decrease was mainly due to the decrease in share-based payment in relation to the share options granted in April 2006. Such payment amounted to HK\$0.3 million in the first-half of 2007, as compared to HK\$21.3 million in the same period last year. Because of the drop in turnover and the fixed nature of certain expenses, administrative expenses to turnover ratio increased from 1.3% to 1.5%.

Re-assessment of alumina purchasing rights

Based on the result of an independent valuation performed on 30 June 2007, the Group reversed a provision for impairment in alumina purchasing rights amounting to HK\$257.6 million for the six months ended 30 June 2007. This re-assessment was performed in response to the change in market forecast and the rebound of alumina prices since the last valuation, which was carried out at the end of the third quarter of 2006 when the market prices of alumina hovered at an extremely low level.

Fair value losses on convertible bonds

During the period, the Group recorded aggregate losses of HK\$182.0 million in respect of the fair value changes of its convertible bonds. According to the applicable accounting standard (HKAS 39), changes in fair value of the derivative component of convertible bonds should be charged or credited to the income statement in the accounting period in which they occur. In order to avoid the volatility that may be caused by this accounting treatment to its results, the Group has relinquished the cash settlement option (the option to pay cash in lieu of delivering shares to the bondholders) of its convertible bonds during the six months ended 30 June 2007. After the removal of this cash settlement option, according to the applicable accounting standard (HKAS 32), the derivative component of the Group's convertible bonds can be accounted for as an equity reserve and its changes in fair value, if any, no longer pose impact on the Group's result. The above losses arising from the fair value changes in the convertible bonds had no effect on our cashflow or other aspects of our operation during the period.

If excluding such fair value losses, the adjusted basic earnings per share is HK\$0.366 for the six months ended 30 June 2007.

Management Discussion and Analysis

FINANCIAL REVIEW (cont'd)

Other gains/(losses) – net

The group recorded other gains – net of HK\$20.5 million in the first-half of 2007, compared to other losses – net of HK\$42.5 million in the same period last year. The major change was due to the decrease in net losses of derivative financial instruments, mainly comprised aluminium forward contracts and other instruments, from HK\$87.9 million to HK\$30.0 million. During the period, those aluminium forward contracts entered by the Group were for the purpose of hedging against the downside price risk on sales of alumina where the sales price was determined pursuant to a formula linked to the London Metal Exchange aluminium prices. Generally speaking, aluminium prices were less volatile over the six months ended 30 June 2007 when compared to the same period last year, thus the Group's hedging losses on aluminium forward contracts were thus very much reduced.

Finance costs – net

Finance costs – net increased substantially by HK\$48.7 million to HK\$58.2 million when compared with the same period last year. The increase was mainly due to: (i) a notional interest of HK\$42.6 million was charged in the first-half of 2007 for the zero-coupon convertible bonds issued by the Group on 7 December 2006; and (ii) increased turnover led to higher working capital and hence finance charges for the Group's aluminium and copper fabrication businesses.

Share of profits less losses in associates

The Group's share of profits less losses in associates increased from HK\$11.4 million in the first-half of 2006 to HK\$20.8 million in the first-half of 2007. The major increase was contributed by Sino Nickel Pty Ltd ("Sino Nickel") and Qingdao M.C. Packaging Limited ("QDMC"), which provided after-tax profit contribution of HK\$18.7 million and HK\$2.1 million respectively to the Group for the six months ended 30 June 2007.

The net profit for the nickel trading business of Sino Nickel grew by more than four-fold during the period. This is due to increased trade volume and higher average selling price of nickel concentrate.

Aluminium cans production of QDMC recorded a loss in last corresponding period. By adopting various market promotion and production costs saving measures, QDMC successfully turned its business into profit-making in the first-half of 2007.

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

During the six months ended 30 June 2007, trading business accounted for 50% of the Group's external turnover (2006: 79%) and contributed HK\$670.4 million (2006: HK\$851.7 million) to the Group's operating profit. Alumina and aluminium ingots were the major trading items during the period, representing 75% and 25% respectively of the turnover in this segment.

Management Discussion and Analysis

SEGMENTAL ANALYSIS (cont'd)

Trading (cont'd)

Compared to the volatile fluctuations in 2006, alumina prices moved in a more narrow range in the PRC market for the first-half of 2007. In 2006, prices once reached historical high of approximately RMB6,500 per tonne in the first-half of the year but quickly plunged into a low level of approximately RMB2,500 per tonne by the year end. After that, prices rebounded rapidly in the first quarter of 2007 and found support at the level of approximately RMB3,900 per tonne. In the second quarter, prices weakened slightly and hovered around RMB3,600 to RMB3,900 per tonne. The Group's average sales price of alumina amounted to US\$442 (or approximately RMB3,430) per tonne (tax excluded, similarly thereafter) in the first-half of 2007, roughly equal to that of US\$445 (or approximately RMB3,453) per tonne in the second-half of 2006; however, it still fell far short of the one in the first-half of 2006.

As for the volume of trade, because of the increasing supply of domestically produced alumina, the demand for imported alumina dropped significantly for the six months ended 30 June 2007.

Set out below is a summary of the sales volume, turnover and average selling price of our alumina trade over the periods.

Alumina Trading		2007	2006	
		First six months	Last six months	First six months
Sales volume	('000 tonnes)	543	885	1,042
Turnover	(HK\$ million)	1,874	3,071	4,553
Average selling price	(US\$* per tonne)	442	445	560
	(RMB* per tonne)	3,430	3,453	4,346

* For illustration purpose only, conversion between US\$ and RMB was based on the exchange rate of US\$1: RMB7.76; conversion between US\$ and HK\$ was based on the exchange rate of US\$1: HK\$7.80.

During the six months ended 30 June 2007, the Group traded approximately 37,000 tonnes of aluminium ingots and recorded external sales of approximately HK\$628.9 million.

Aluminium Fabrication

Aluminium fabrication business accounted for 20% (2006: 11%) of the Group's external turnover and contributed HK\$31.8 million (2006: HK\$19.4 million) to the Group's operating profit for the six months ended 30 June 2007.

With the upgrade and modernisation of production lines in previous years, the Group saw remarkable growth in its aluminium fabrication business. For the first-half of 2007, its sales and production volume increased by 26% and 17% respectively when compared to last corresponding period.

For the first six months in 2007, total sales volume reached 39,708 tonnes, as compared to 31,449 tonnes with the same period last year. The product with the highest growth rate was aluminium foil stock, followed by light gauge aluminium foil. The former one is an intermediate product produced from aluminium ingot and can be rolled into light gauge aluminium foil for other applications. The later one is widely used in packaging of goods such as cigarette, pharmacy and chocolates.

Management Discussion and Analysis

SEGMENTAL ANALYSIS *(cont'd)*

Copper Fabrication and Plica Tubes Production

This segment accounted for 30% (2006: 10%) of the Group's external turnover and contributed HK\$36.0 million (2006: HK\$25.1 million) to the Group's operating profit for the six months ended 30 June 2007.

Copper fabrication, which was operated through a 36% owned jointly controlled entity of the Group, contributed HK\$33.7 million (2006: HK\$22.7 million) to the operating profit in this segment for the six months ended 30 June 2007. Driven by the growing demands in power cable, electric wire and communication industries, sales volume of copper rod and copper wire increased by 28% and 135% respectively as compared to last corresponding period. Volume growth and profit margin enhancement give rise to a marked increase in profit of this business over the period.

Plica tubes (flexible metals conduits) business contributed HK\$2.3 million (2006: HK\$2.4 million) to the operating profit in this segment for the six months ended 30 June 2007. As price competition was severer and severer in the industry, the effect of trade volume growth was fully offset by reduced profit margin during the period.

OTHER FINANCIAL INFORMATION

Financial Resources and Liquidity

The Group's financial and liquidity position remained strong for the six months end 30 June 2007. Total assets and shareholders' equity increased by 9.3% and 23.7% respectively to HK\$8,882.9 million and HK\$5,228.0 million respectively as at 30 June 2007. Current ratio increased from 1.8 at 31 December 2006 to 2.3 at 30 June 2007.

As at 30 June 2007, the Group was in a net cash position of HK\$718.3 million, representing cash and bank deposits of HK\$2,630.4 million less total borrowings of HK\$1,912.1 million (comprising bank loans of HK\$941.3 million, advances from banks for bills discounted of HK\$382.6 million and convertible bonds of HK\$588.2 million). Hence, gearing ratio (defined as total borrowings less cash and bank deposits divided by shareholders' equity) is not applicable.

The Group's cash and bank deposits, amounting to HK\$2,630.4 million at 30 June 2007, were maintained in Hong Kong dollars (46%), Renminbi (31%), US dollars (22%) and other currencies (1%).

During the period, the Group's bank borrowings decreased from HK\$1,367.9 million to HK\$1,323.8 million, mainly due to loan repayments. As at 30 June 2007, the profile of the Group's bank borrowings was as follows:

- (1) 54% were in Renminbi and 46% in US dollars;
- (2) 59% were in fixed rate and 41% were in floating rate;
- (3) 52% were repayable within 1 year, 8% were repayable between 1 and 2 years and 40% were between 2 and 5 years.

Management Discussion and Analysis

OTHER FINANCIAL INFORMATION *(cont'd)*

Significant Investments Held and Material Acquisitions and Disposals

(a) *Available-for-sale financial assets*

During the six months ended 30 June 2007, the Group made no addition or disposal for the equity securities it held in Sino Gold Limited (a gold mining company with primary listing in Australia and secondary listing in Hong Kong). As at 30 June 2007, the Group held approximately 10 million shares in Sino Gold Limited, with a carrying value of approximately HK\$373.4 million, representing a decrease of 17% during the period.

(b) *Disposal of investment properties*

During the six months ended 30 June 2007, the Group disposed certain investment properties located in Macau with a carrying value of HK\$2.2 million and realised a gain of HK\$0.1 million.

(c) *Disposal of interest in an associate*

During the six months ended 30 June 2007, the Group disposed its 30% equity interest in Huludao Orienmet Copper Company Limited and recognised a gain of HK\$1.4 million. Since full provision had already been made by the Group in previous years, the disposal of this investment did not have any adverse impact on the Group's result and financial position.

(d) *Acquisition of additional interests in a non-wholly owned subsidiary*

On 25 June 2007, the Group announced that it had entered into an agreement to acquire additional 16.31% equity interest in NCA for a consideration of approximately RMB72.9 million (equivalent to approximately HK\$75.1 million) and would provide capital investment of RMB98.8 million (equivalent to approximately HK\$101.8 million) in cash to NCA. The completion of these transactions is subject to the approvals of the relevant authorities and is expected to take place by the end of September 2007.

NCA is a subsidiary currently owned as to 51% by the Group and is engaged in aluminium fabrication. Once the above transactions are completed, the Group's interest in NCA will increase to 73.19% and can enhance the Group's flexibility and efficiency in the execution of business strategy in the expanded aluminium fabrication business of NCA.

Except for the above, there was no material acquisition or disposal of investments by the Group during the six months ended 30 June 2007.

Share Capital and Convertible Bonds

During the period, the Company issued 104,273,486 ordinary shares for the conversion of convertible bonds and 500,000 ordinary shares for the exercise of share options. As a result, the issued share capital of the Company increased to approximately HK\$90,961,000 as at 30 June 2007.

As for the zero coupon convertible bonds of an aggregate principal amount of HK\$1,000 million issued by the Group in December 2006, about 30.5% (or HK\$305 million in principal amount) of which was converted into ordinary shares of the Company during the six months ended 30 June 2007 and about 69.5% (or HK\$695 million in principal amount) of which remained outstanding at 30 June 2007.

As at 6 September 2007, convertible bonds of an aggregate principal amount of approximately HK\$225 million remained outstanding.

Management Discussion and Analysis

OTHER FINANCIAL INFORMATION *(cont'd)*

Contingent Liabilities

There was no material change in the contingent liabilities of the Group since 31 December 2006.

Capital Expenditure and Commitments

The Group's incurred capital expenditure of approximately HK\$8.6 million for six months ended 30 June 2007, mainly related to the expansion and upgrade of the production facilities in the aluminium fabrication business.

The Group's capital commitments as at 30 June 2007 amounted to HK\$325.1 million, of which HK\$176.9 million was related to the acquisition of equity interest and additional capital investment in NCA as mentioned in the previous paragraphs. The remaining balance of HK\$148.2 million was mainly for the expansion of production facilities in the Group's fabrication businesses.

Charge on Assets

As at 30 June 2007, the following assets of the Group were pledged to certain banks for the banking facilities granted to the Group:

- (1) All the equity interests of a wholly owned subsidiary, Sino Mining Alumina Limited ("Sino Mining") and all the assets of Sino Mining;
- (2) Certain property, plant and equipment, land use rights and inventories of the Group with a total carrying amount of approximately HK\$272.2 million; and
- (3) Bank deposits of approximately HK\$42.5 million.

Risk Management

The Group does not and is prohibited to enter into derivative contracts for speculative purpose. The Group adopted similar policies as in 2006 to mitigate the commodity price, interest rate and foreign exchange risks arising from its operating activities.

(a) Commodity price risk

In order to reduce the commodity price risk exposure on its alumina trading business, the Group entered into certain aluminium forward contracts. As at 30 June 2007, under the terms of these forward contracts, the Group will sell 12,000 tonnes of aluminium in the second-half of 2007 and 17,500 tonnes of aluminium in 2008.

(b) Interest rate risk

To stabilise the interest expenses of the Group against interest rate fluctuations in the market, the Group had arranged interest rate swaps to hedge against the interest rate risk on the Group's floating rate bank borrowings.

Management Discussion and Analysis

OTHER FINANCIAL INFORMATION *(cont'd)*

Risk Management *(cont'd)*

(c) 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 HKD or USD. For the six months ended 30 June 2007, about 89% of the Group turnover was settled in RMB. At 30 June 2007, the total net assets shared by the Group in its PRC subsidiaries, associates and jointly controlled entity amounting to HK\$2,155 million was denominated in RMB. Fluctuation of the exchange rate between RMB and HKD or USD could affect the Group's performance and asset value. Same as 2006, the Group had entered into foreign exchange forward contracts to mitigate the exchange risk between AUD and USD on the purchase cost of alumina under a long-term contract with an annual quantity of 400,000 tonnes.

Dividend

On 13 February 2007, the High Court of the Hong Kong Special Administrative Region made an order confirming the capital reduction of the Company. Aggregate amount of approximately HK\$889.8 million of credits arising from the cancellation of the special capital reserve account and the reduction of the share premium amount was then used to set off the accumulated losses of the Company. Since then, the Company has a capital structure that would permit the payment of dividends. However, future dividends, if any, will be declared or paid at the discretion of the Board and depend upon, among other things, the Group's operations, capital requirements and surplus, general financial condition, legal and contractual restrictions and such other factors as the Board may deem relevant. No established dividend policy has yet been adopted by the Company at the present moment.

The directors declared interim dividend of HK0.5 cent per share (2006: Nil) for the six months ended 30 June 2007.

Human Resources

At 30 June 2007, the Group employed a total of 2,517 employees (not including employees of jointly controlled entity and associates), of which 16 were based in Hong Kong, 2,489 in mainland China and 12 in Australia. The total staff costs, including the directors' emoluments and share-based payments, amounted to HK\$50.8 million for the six months ended 30 June 2007.

The Group continues to adopt salary policies in line with market practice and motivates its staff with performance-based remuneration. From time to time, the Group has arranged in-house training and offered rewards or incentives to encourage personal growth and career development of its staff.

Independent Review Report



羅兵咸永道會計師事務所

PricewaterhouseCoopers
22/F, Prince's Building
Central, Hong Kong

INDEPENDENT REVIEW REPORT TO THE BOARD OF DIRECTORS OF MINMETALS RESOURCES LIMITED

(Incorporated in Hong Kong with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 15 to 32, which comprises the condensed consolidated balance sheet of Minmetals Resources Limited (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2007 and the related condensed consolidated statements of income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on the Main Board of The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting".

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 6 September 2007

Condensed Consolidated Interim Income Statement

		Six months ended 30 June	
		2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000
	Note		
Turnover	2	4,981,210	6,858,440
Cost of sales		(4,419,491)	(5,820,956)
Gross profit		561,719	1,037,484
Selling expenses		(40,957)	(53,822)
Administrative expenses		(72,480)	(86,124)
Reversal of provision for impairment of alumina purchasing rights	3	257,622	–
Fair value losses on convertible bonds	17	(182,032)	–
Other income – net	4	9,415	10,614
Other gains/(losses) – net	5	20,498	(42,499)
Operating profit	6	553,785	865,653
Finance costs – net	7	(58,239)	(9,480)
Share of profits less losses of associates		20,818	11,388
Profit before income tax expense		516,364	867,561
Income tax expense	8	(60,214)	(283,593)
Profit for the period		456,150	583,968
Attributable to:			
Equity holders of the Company		451,026	579,649
Minority interest		5,124	4,319
		456,150	583,968
Earnings per share for profit attributable to equity holders of the Company			
– Basic	9	HK\$0.261	HK\$0.338
– Diluted		HK\$0.260	HK\$0.338
Interim dividend per share	10	HK0.5 cent	–

Condensed Consolidated Interim Balance Sheet

	<i>Note</i>	30 June 2007 (Unaudited) HK\$'000	31 December 2006 (Audited) HK\$'000
Non-current assets			
Property, plant and equipment	11	524,774	538,892
Investment properties	11	7,390	9,590
Land use rights	11	15,609	16,053
Construction in progress	11	10,878	4,576
Interests in associates		71,570	47,885
Alumina purchasing rights	11	2,815,801	2,622,149
Long-term receivables		98,880	–
Available-for-sale financial assets		373,430	450,933
Deferred income tax assets		18,090	19,915
		3,936,422	3,709,993
Current assets			
Inventories		678,639	598,579
Trade and bills receivable	12	1,245,718	937,890
Prepayments, deposits and other receivables		385,971	163,406
Amounts due from an intermediate holding company and fellow subsidiaries	19	2,744	7,779
Derivative financial instruments		3,025	818
Pledged bank deposits		42,539	38,209
Cash and cash equivalents		2,587,888	2,668,075
		4,946,524	4,414,756
Total assets		8,882,946	8,124,749

Condensed Consolidated Interim Balance Sheet

	Note	30 June 2007 (Unaudited) HK\$'000	31 December 2006 (Audited) HK\$'000
Capital and reserves attributable to the Company's equity holders			
Share capital	13	90,961	85,722
Reserves		5,137,004	4,139,659
		5,227,965	4,225,381
Minority interest		231,553	220,206
Total equity		5,459,518	4,445,587
Non-current liabilities			
Deferred income		25,363	25,824
Derivative financial instruments		–	7,968
Deferred income tax liabilities		144,476	163,572
Bank loans		539,370	–
Convertible bonds	17	588,210	980,137
		1,297,419	1,177,501
Current liabilities			
Trade and bills payable	18	861,067	642,318
Accruals, receipts in advance and other payables		360,139	365,387
Advances from banks for bills discounted		382,554	295,699
Amounts due to ultimate holding company, an intermediate holding company, fellow subsidiaries and associates	19	1,033	1,506
Derivative financial instruments		47,871	58,853
Income tax liabilities		71,465	65,728
Bank loans		401,880	1,072,170
		2,126,009	2,501,661
Total liabilities		3,423,428	3,679,162
Total equity and liabilities		8,882,946	8,124,749
Net current assets		2,820,515	1,913,095
Total assets less current liabilities		6,756,937	5,623,088

Condensed Consolidated Interim Cash Flow Statement

	Six months ended 30 June	
	2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000
Cash flows from operating activities		
Net cash generated from operating activities	131,667	723,372
Interest paid	(55,043)	(43,461)
Income tax paid	(74,410)	(126,804)
	<hr/>	<hr/>
Net cash generated from operating activities	2,214	553,107
	<hr/>	<hr/>
Cash flows from investing activities		
Purchase of property, plant and equipment and construction in progress	(8,592)	(18,987)
Proceeds from disposal of property, plant and equipment and investment properties	4,197	–
Proceeds from disposal of an associate	1,360	–
Proceeds from disposal of available-for-sale financial assets	–	75,053
Dividend received from an associate	–	7,596
Acquisition of a jointly controlled entity, net of cash acquired	–	33,901
Interest received	40,288	18,308
(Increase)/decrease in pledged bank deposits	(4,330)	10,663
	<hr/>	<hr/>
Net cash generated from investing activities	32,923	126,534
	<hr/>	<hr/>
Cash flows from financing activities		
Net repayments of bank loans	(142,948)	(221,500)
Dividend paid to minority shareholders	(498)	(2,902)
Proceeds from exercise of share options	1,363	–
	<hr/>	<hr/>
Net cash used in financing activities	(142,083)	(224,402)
	<hr/>	<hr/>
Net (decrease)/increase in cash and cash equivalents	(106,946)	455,239
Cash and cash equivalents at 1 January	2,668,075	938,086
Exchange gain on cash and bank balances	26,759	–
	<hr/>	<hr/>
Cash and cash equivalents at 30 June	2,587,888	1,393,325
	<hr/>	<hr/>

Condensed Consolidated Interim Statement of Changes in Equity

	Attributable to equity holders of the Company (Unaudited)																								
	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Special capital reserve (Note 16) HK\$'000	General reserve HK\$'000	PRC statutory reserves HK\$'000	Exchange translation reserve HK\$'000	Available-for-sale financial assets reserve HK\$'000	Hedging reserve HK\$'000	Convertible bonds equity reserve HK\$'000	Share options reserve HK\$'000	(Accumulated losses)/ Retained profits HK\$'000	Minority interest HK\$'000	Total HK\$'000											
															Attributable to equity holders of the Company (Unaudited)										
At 1 January 2007	85,722	3,503,362	48,380	125,374	15,600	160,358	51,025	320,710	818	-	21,662	(107,630)	220,206	4,445,587											
Profit for the period	-	-	-	-	-	-	-	-	-	-	-	451,026	5,124	456,150											
Recognition of convertible bonds without the cash settlement option (Note 17)	-	-	-	-	-	-	-	-	-	360,478	-	-	-	360,478											
Conversion of convertible bonds into ordinary shares	5,214	360,840	-	-	-	-	-	-	-	(109,946)	-	-	-	256,108											
Dividends paid to minority shareholders	-	-	-	-	-	-	-	-	-	-	-	-	(498)	(498)											
Profit distribution by a jointly controlled entity	-	-	-	-	-	-	-	-	-	-	-	(230)	-	(230)											
Currency translation differences	-	-	-	-	-	-	10,038	-	-	-	-	-	6,721	16,759											
Capital reorganisation (Note 15)	-	(764,428)	-	(125,374)	-	-	-	-	-	-	-	889,802	-	-											
Transfer to reserve for the undertaking given by the Company (Note 16)	-	-	-	2,878	-	-	-	-	-	-	-	(2,878)	-	-											
Cash flow hedge	-	-	-	-	-	-	-	-	993	-	-	-	-	993											
Recognition of equity-settled share based payment	-	-	-	-	-	-	-	-	-	-	311	-	-	311											
Exercise of share options	25	1,807	-	-	-	-	-	-	-	-	(469)	-	-	1,363											
Fair value losses	-	-	-	-	-	-	(77,503)	-	-	-	-	-	-	(77,503)											
Transfer to PRC statutory reserves	-	-	-	-	-	57,393	-	-	-	-	-	(57,393)	-	-											
At 30 June 2007	90,961	3,101,581	48,380	2,878	15,600	217,751	61,063	243,207	1,811	250,532	21,504	1,172,697	231,553	5,459,518											

	Attributable to equity holders of the Company (Unaudited)																							
	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Special capital reserve HK\$'000	General reserve HK\$'000	PRC statutory reserves HK\$'000	Exchange translation reserve HK\$'000	Available-for-sale financial assets reserve HK\$'000	Hedging reserve HK\$'000	Share options reserve HK\$'000	Accumulated losses HK\$'000	Minority interest HK\$'000	Total HK\$'000											
														Attributable to equity holders of the Company (Unaudited)										
At 1 January 2006	85,722	3,503,362	48,380	125,374	15,600	72,600	5,349	109,828	-	-	(885,192)	203,019	3,284,042											
Profit for the period	-	-	-	-	-	-	-	-	-	-	579,649	4,319	583,968											
Dividends paid to minority shareholders	-	-	-	-	-	-	-	-	-	-	-	(2,902)	(2,902)											
Currency translation differences	-	-	-	-	-	-	(187)	-	-	-	-	-	(187)											
Cash flow hedge	-	-	-	-	-	-	-	-	(8,528)	-	-	-	(8,528)											
Recognition of equity-settled share based payment	-	-	-	-	-	-	-	-	-	21,347	-	-	21,347											
Disposal of available-for-sale financial assets	-	-	-	-	-	-	-	(22,158)	-	-	-	-	(22,158)											
Fair value gains	-	-	-	-	-	-	-	110,676	-	-	-	-	110,676											
Transfer to PRC statutory reserves	-	-	-	-	-	228	-	-	-	-	(228)	-	-											
At 30 June 2006	85,722	3,503,362	48,380	125,374	15,600	72,828	5,162	198,346	(8,528)	21,347	(305,771)	204,436	3,966,258											

Notes to the Condensed Consolidated Financial Information

1. BASIS OF PREPARATION

The condensed interim financial information has been prepared in accordance with applicable provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" and other relevant Hong Kong Financial Reporting Standards ("HKFRS") issued by HKICPA.

This condensed interim financial information should be read in conjunction with the financial statements for the year ended 31 December 2006. The accounting policies adopted in the preparation of this condensed interim financial information are consistent with those used in the financial statements for the year ended 31 December 2006 except for the adoption of the new standard, amendment to existing standard and interpretations issued by the HKICPA which are mandatory for annual periods beginning on or after 1 January 2007. Those new standard, amendment to existing standard and interpretations that are mandatory for the financial year ending 31 December 2007 are set out below.

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

The adoption of these new standard, amendment to existing standard and interpretations has no material financial impact on the Group's results and financial position for the current or prior periods.

The Group has not early adopted the following new/revised standards and interpretations that have been issued but not yet effective for the financial year ending on 31 December 2007. The Group is in the process of assessing their impact to the Group's results and financial position.

HKAS 23 (Revised)	Borrowing Costs ¹
HKFRS 8	Operating Segments ¹
HK(IFRIC)-Int 11	HKFRS 2 – Group and Treasury Share Transactions ²
HK(IFRIC)-Int 12	Service Concession Arrangements ³

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

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

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

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

Notes to the Condensed Consolidated Financial Information

2. SEGMENT INFORMATION

By business segments

At 30 June 2007, the Group's operations comprised the following major business segments:

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

	Six months ended 30 June 2007 (Unaudited)						Total HK\$'000
	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	
External sales	2,505,857	985,479	1,487,399	2,475	-	-	4,981,210
Inter-segment sales	199,283	640	-	1,514	-	(201,437)	-
Turnover	2,705,140	986,119	1,487,399	3,989	-	(201,437)	4,981,210
Segment result	670,382	31,766	35,959	858	7,585	(10,733)	735,817
Fair value losses on convertible bonds							(182,032)
Finance costs – net							(58,239)
Share of profits less losses of associates	-	-	-	20,818	-	-	20,818
Income tax expense							(60,214)
Profit for the period							456,150
Minority interest							(5,124)
Profit attributable to equity holders of the Company							451,026

Notes to the Condensed Consolidated Financial Information

2. SEGMENT INFORMATION (cont'd)

By business segments (cont'd)

	Six months ended 30 June 2006 (Unaudited)						
	Trading HK\$'000	Aluminium fabrication HK\$'000	Copper fabrication and tubes production HK\$'000	Port logistics services and other industrial operations HK\$'000	Corporate and others HK\$'000	Inter- segment elimination HK\$'000	Total HK\$'000
External sales	5,449,245	731,724	676,719	752	-	-	6,858,440
Inter-segment sales	104,015	2,061	-	3,042	-	(109,118)	-
Turnover	<u>5,553,260</u>	<u>733,785</u>	<u>676,719</u>	<u>3,794</u>	<u>-</u>	<u>(109,118)</u>	<u>6,858,440</u>
Segment result	851,721	19,442	25,062	1,879	(27,652)	(4,799)	865,653
Finance costs – net							(9,480)
Share of profits less losses of associates	-	-	8,609	2,779	-	-	11,388
Income tax expense							(283,593)
Profit for the period							<u>583,968</u>
Minority interest							(4,319)
Profit attributable to equity holders of the Company							<u>579,649</u>

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			
	2007 (Unaudited) Contribution to gross profit Turnover HK\$'000		2006 (Unaudited) Contribution to gross profit Turnover HK\$'000	
PRC	4,807,265	540,956	6,056,345	910,829
Others	375,382	22,277	911,213	129,697
Inter-segment elimination	(201,437)	(1,514)	(109,118)	(3,042)
Total	<u>4,981,210</u>	<u>561,719</u>	<u>6,858,440</u>	<u>1,037,484</u>

Notes to the Condensed Consolidated Financial Information

3. REVERSAL OF PROVISION FOR IMPAIRMENT OF ALUMINA PURCHASING RIGHTS

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

4. OTHER INCOME – NET

	Six months ended 30 June	
	2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000
Reversal of provision for impairment of receivables	3,658	5,104
– Trade and other receivables	3,626	1,235
– Amounts due from associates	32	3,869
Sales of by-products and other services income	2,236	2,095
Amortisation of deferred income	1,206	1,154
Others	2,315	2,261
	9,415	10,614

5. OTHER GAINS/(LOSSES) – NET

	Six months ended 30 June	
	2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000
Net (losses)/gains on derivative financial instruments	(30,046)	(87,928)
– Aluminium forward contracts	(30,454)	(99,621)
– Copper futures contracts	(699)	–
– Aluminium options	–	10,613
– Foreign exchange forward contracts	1,107	1,080
Exchange gains – net	47,933	3,428
Gain/(Loss) on disposal of property, plant and equipment	1,364	(14)
Gain on disposal of an associate	1,360	–
Gain on disposal of investment properties	100	–
Gain on disposal of available-for-sale financial assets	–	33,929
Negative goodwill recognised	–	8,087
Others	(213)	(1)
	20,498	(42,499)

Notes to the Condensed Consolidated Financial Information

6. OPERATING PROFIT

Operating profit is determined after charging the following:

	Six months ended 30 June	
	2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000
Employee benefit expenses (including directors' emoluments and share-based payments)	50,789	67,639
Amortisation		
– Alumina purchasing rights (excluding the amount capitalised in inventories)	43,891	216,437
– Land use rights	925	817
Depreciation	32,038	28,332
Operating lease rental on properties	2,036	2,151

7. FINANCE COSTS – NET

	Six months ended 30 June	
	2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000
Finance costs		
– Interest on bank loans wholly repayable within five years	(55,043)	(43,461)
– Interest on convertible bonds wholly repayable within five years	(42,627)	–
– Fair value (loss)/gain on interest rate swaps	(2,583)	15,898
	(100,253)	(27,563)
Finance income		
– Interest income on short-term bank deposits	42,014	18,083
Finance costs – net	(58,239)	(9,480)

Notes to the Condensed Consolidated Financial Information

8. INCOME TAX 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 period (2006: Nil). 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	
	2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000
Current income tax		
PRC enterprise income tax	(76,580)	(155,644)
Overseas income tax	(1,508)	(22,515)
	(78,088)	(178,159)
Deferred income tax credit/(expense)	17,874	(105,434)
Income tax expense	(60,214)	(283,593)

During the 5th Session of the 10th National People's Congress, which was concluded on 16 March 2007, the PRC Corporate Income Tax Law (the "New Corporate Income Tax Law") was approved and will become effective on 1 January 2008. Among the different changes introduced by the New Corporate Income Tax Law, there is a change in relation to the unification of the income tax rate for domestic-invested and foreign-invested enterprises at 25%. This change will reduce the income tax expense of certain PRC subsidiaries of the Group from 2008 onwards.

According to HKAS 12, the deferred income tax assets and deferred income tax liabilities shall be measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled. The estimated impact of the above change in the PRC income tax rate to the Group is as follows:

- (i) Deferred income tax credit for the six months ended 30 June 2007 increased by approximately HK\$34,826,000; and
- (ii) Deferred income tax assets and deferred income tax liabilities decreased by approximately HK\$4,828,000 and HK\$39,654,000 respectively as at 30 June 2007.

9. EARNINGS PER SHARE

(a) Basic

The calculation of basic earnings per share is based on net profit attributable to equity holders of the Company of HK\$451,026,000 (2006: HK\$579,649,000) and the weighted average number of 1,730,047,677 (2006: 1,714,440,521) ordinary shares in issue during the period.

Notes to the Condensed Consolidated Financial Information

9. EARNINGS PER SHARE (cont'd)

(b) Diluted

The calculation of diluted earnings per share is based on the profit attributable to equity holders of the Company and the weighted average number of ordinary shares in issue during the period after adjusting for the dilutive potential ordinary shares in respect of the share options granted and not yet exercised. The potential ordinary shares in respect of the convertible bonds issued and not yet exercised are anti-dilutive.

	Six months ended 30 June	
	2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000
Profit attributable to equity holders of the Company	451,026	579,649
	Number of shares	Number of shares
Weighted average number of ordinary shares in issue	1,730,047,677	1,714,440,521
Dilutive potential ordinary shares in respect of share options granted and not yet exercised	2,498,920	–
Adjusted weighted average number of ordinary shares in issue	1,732,546,597	1,714,440,521
Diluted earnings per share	HK\$0.260	HK\$0.338

To enable better understanding of the Group's operating performance during the period, the adjusted basic earnings per share (excluding the fair value losses on convertible bonds) is shown below for reference purpose.

	Six months ended 30 June	
	2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000
Profit attributable to equity holders of the Company	451,026	579,649
Adjustment for:		
– Fair value losses on convertible bonds	182,032	–
Profit attributable to equity holders of the Company excluding fair value losses on convertible bonds	633,058	579,649
	Number of shares	Number of shares
Adjusted weighted average number of ordinary shares in issue (same as Note 9(a) above)	1,730,047,677	1,714,440,521
Adjusted basic earnings per share	HK\$0.366	HK\$0.338

Notes to the Condensed Consolidated Financial Information

10. DIVIDENDS

The directors declared an interim dividend of HK0.5 cent per share (2006: Nil) for the six months ended 30 June 2007. Based on the number of ordinary shares in issue on 30 June 2007, the total estimated amount of dividend is as follows:

	Six months ended 30 June	
	2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000
Interim dividend of HK0.5 cent per share (2006: Nil)	9,096	–

11. CAPITAL EXPENDITURE

	Property, plant and equipment (Unaudited) HK\$'000	Investment properties (Unaudited) HK\$'000	Land use rights (Unaudited) HK\$'000	Construction in progress (Unaudited) HK\$'000	Alumina purchasing rights (Unaudited) HK\$'000
At 1 January 2007	538,892	9,590	16,053	4,576	2,622,149
Additions	2,428	–	–	6,164	–
Depreciation and amortisation (Provision)/Reversal of provision for impairment	(32,038) (230)	–	(925)	–	(63,970) 257,622
Exchange differences	16,255	–	481	138	–
Disposals	(533)	(2,200)	–	–	–
At 30 June 2007	524,774	7,390	15,609	10,878	2,815,801

12. TRADE AND BILLS RECEIVABLE

Majority of the Group's sales derived from trading of alumina are under the arrangement of delivery upon payment from customers, with the remaining amounts are on letters of credit. For the aluminium 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 2007 (Unaudited)		At 31 December 2006 (Audited)	
	HK\$'000	%	HK\$'000	%
Trade receivables				
Less than 6 months	323,229	83	275,199	81
6 months – 1 year	4,682	1	2,583	1
Over 1 year	60,712	16	63,094	18
	388,623	100	340,876	100
Less: Provision for impairment of receivables	(62,577)		(65,144)	
Trade receivables – net	326,046		275,732	
Bills receivable (Note)	919,672		662,158	
	1,245,718		937,890	

Note: Bills receivable are with maturity of less than 6 months, of which approximately HK\$785,290,000 (2006: HK\$554,968,000) has been discounted to banks or endorsed to suppliers.

Notes to the Condensed Consolidated Financial Information

13. SHARE CAPITAL

	Number of shares in thousand	Share capital HK\$'000
Authorised:		
Ordinary shares of HK\$0.05 each as at 30 June 2007 and 31 December 2006	6,000,000	300,000
Issued and fully paid:		
Ordinary shares of HK\$0.05 each as at 1 January 2007	1,714,441	85,722
Conversion of convertible bonds into ordinary shares	104,273	5,214
Exercise of share options	500	25
At 30 June 2007 (Unaudited)	1,819,214	90,961

14. SHARE OPTION SCHEMES

The Company has two option schemes. The 2004 share option scheme was adopted by the Company on 28 May 2004. The 1994 share option scheme was adopted by the Company on 25 November 1994 and expired on 24 November 2004. Details of these share option schemes are disclosed in the "Other Information" section of this interim report.

The movements for share options granted under the above share option schemes for the six months ended 30 June 2007 are as follows:

	2004 share option scheme		1994 share option scheme	
	Exercise price per share HK\$	Number of options	Exercise price per share HK\$	Number of options
At 1 January 2007	2.725	23,500,000	3.115	6,030,000
Exercised		(500,000)		–
Expired		–		(6,030,000)
At 30 June 2007 (Unaudited)	2.725	23,000,000	3.115	–

During the six months ended 30 June 2007, share-based payment of approximately HK\$311,000 (2006: HK\$21,347,000) in relation to the share options granted under the 2004 share option scheme was charged to the income statement in accordance with their vesting conditions.

15. CAPITAL REORGANISATION

In January 2007, the Company filed a petition to the high court of the Hong Kong Special Administrative Region to seek the court's confirmation of the cancellation 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 HK\$125,374,000 and the reduction of the share premium account by HK\$764,428,000 was confirmed.

Notes to the Condensed Consolidated Financial Information

16. SPECIAL CAPITAL RESERVE

In relation to the capital reorganisation as mentioned in Note 15 above, the Company has provided an undertaking (“Undertaking”) in relation to its petition to the court that as long as any debt or liability of or claim against the Company as at the effective date of the aforementioned capital reorganisation remains outstanding, the Company should credit the following amounts to a special reserve (the “Special Reserve”):

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

The standing to the credit of the Special Reserve shall not be treated as realised profit. It shall be treated as an undistributable reserve of the Company for the purposes of Section 79C of the Hong Kong Companies Ordinance.

For the six months ended 30 June 2007, an amount of approximately HK\$2,878,000 was credited to the Company’s special capital reserve in accordance with the Undertaking.

17. CONVERTIBLE BONDS

(a) Recognition of the convertible bonds with the Cash Settlement Option

On 7 December 2006, First Harvest Limited (“First Harvest”), a wholly-owned subsidiary of the Group, issued zero coupon guaranteed convertible bonds with an aggregate principal amount of HK\$1,000,000,000. Each bond will, at the option of the holder, be convertible on or after 17 January 2007 and up to 28 November 2011 into fully paid ordinary share with a par value of HK\$0.05 each of the Company at an initial conversion price of HK\$2.925 per share (subject to adjustment in certain events) (the “Conversion Option”). Unless previously redeemed, converted or purchased and cancelled, the bonds will be redeemed at 127.236% of their principal amount on 7 December 2011 (the “Maturity Date”).

At any time on or after 7 December 2009 but not less than seven business days prior to the Maturity Date, the Group may redeem the bonds in whole but not in part at an early redemption amount if the share price of the Company reached 130% or more of such early redemption amount divided by the conversion ratio (the “Mandatory Option”). The conversion ratio is equal to the principal amount of each bond divided by the then conversion price.

As the Group has an option to pay cash in lieu of delivering shares to the holders of the bonds (the “Cash Settlement Option”) when the bondholders exercise their Conversion Option, which in accordance with the requirements of HKAS 32 and HKAS 39, the Conversion Option and the Mandatory Option are therefore accounted for as an embedded derivative financial instrument carried at fair value through profit or loss.

The liability component is the residual amount after recognising the embedded derivatives and subsequently carried at amortised cost. Interest expense is calculated using the effective interest method by applying the effective interest rate of 12.83% to the liability component.

Notes to the Condensed Consolidated Financial Information

17. CONVERTIBLE BONDS (cont'd)

(b) Recognition of the convertible bonds without the Cash Settlement Option

In April 2007, a resolution was passed by the Company to cancel the Cash Settlement Option. A supplemental trust deed in relation to this was signed between First Harvest and the trustee of the bonds on 20 June 2007. Because of the removal of the Cash Settlement Option, the bonds with the Cash Settlement Option (the "Old Bonds") were extinguished and the bonds without the Cash Settlement Option (the "New Bonds") were recognised. Up to the date of extinguishment, the Group recognised additional fair value loss on the Old Bonds of HK\$113,048,000.

The New Bonds are accounted for as convertible bonds with equity component. The New Bonds are separated into equity component and liability component, the latter of which is fair-valued at recognition and subsequently carried at amortised cost.

The fair value of the New Bonds is calculated using cash flows discounted at a rate of 9.1% per annum based on the indicative yield of an equivalent non-convertible bonds with similar maturity.

As a result of the extinguishment of the Old Bonds and the subsequent recognition of the New Bonds, the Group recorded a net loss of HK\$68,984,000 on the convertible bonds.

Interest expense on the New Bonds are calculated using the effective interest method by applying the effective interest rate of 9.1% to the liability component.

	Convertible bonds		
	Liability component	Derivative component	Fair value losses during the period
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
At 1 January 2007	675,837	304,300	–
Interest expense on convertible bonds	42,627	–	–
Fair value loss on the Old Bonds prior to its extinguishment	1,140	111,908	113,048
Fair value loss/(gain) on the extinguishment of the Old Bonds and recognition of the New Bonds	124,714	(55,730)	68,984
Transfer to convertible bonds equity reserve upon the recognition of the New Bonds	–	(360,478)	–
Exercise of conversion rights (Note)	(256,108)	–	–
At 30 June 2007/For the six months ended 30 June 2007	588,210	–	182,032

Note: During the six months ended 30 June 2007, convertible bonds with an aggregate principal amount of HK\$305,000,000 were converted into 104,273,486 ordinary shares of the Company at the conversion price of HK\$2.925 per share.

Notes to the Condensed Consolidated Financial Information

18. TRADE AND BILLS PAYABLE

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

	At 30 June 2007 (Unaudited)		At 31 December 2006 (Audited)	
	HK\$'000	%	HK\$'000	%
Trade payables				
Less than 6 months	439,623	98	245,173	95
6 months – 1 year	2,748	1	4,134	2
1 – 2 years	3,493	1	7,767	3
Over 2 years	106	–	102	–
	445,970	100	257,176	100
Trade payables under endorsed bills	402,737		259,269	
Bills payable	12,360		125,873	
	861,067		642,318	

19. RELATED PARTY TRANSACTIONS

The period-end balances with related parties are as follows:

	30 June 2007 (Unaudited) HK\$'000	31 December 2006 (Audited) HK\$'000
(a) Receivables from		
– An intermediate holding company	152	–
– Fellow subsidiaries	2,592	7,779
– Associates	6,600	7,284
– Other state-owned enterprises	526,792	94,278
(b) Payables to		
– Ultimate holding company	270	75
– An intermediate holding company	–	331
– Fellow subsidiaries	408	260
– Associates	355	840
– Other state-owned enterprises	174,558	49,950

Notes to the Condensed Consolidated Financial Information

19. RELATED PARTY TRANSACTIONS (cont'd)

The following is a summary of the material related party transactions carried out in the normal course of business activities of the Group during the period:

	Six months ended 30 June	
	2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000
(a) Transactions with associates of the Group		
– Purchases of non-ferrous metals	170,106	83,426
– Transportation fees paid	7,117	5,333
– Rental income	64	38
(b) Transactions with subsidiaries of the Group's ultimate holding company, excluding subsidiaries of the Group		
– Sales of non-ferrous metals	6,978	–
– Purchases of non-ferrous metals	212,947	287,851
– Disposal of investment properties	2,300	–
– Transportation fees paid	18,179	30,949
– Rental expenses paid	646	627
– Commission paid	–	78
(c) Transactions with other state-owned enterprises		
– Sales of non-ferrous metals	2,763,928	2,804,930
– Purchases of non-ferrous metals	1,108,395	1,049,679
– Transportation fees paid	–	18,455
– Payments for additions to construction in progress	–	2,413
(d) Key management compensation		
– Salaries and other short-term employee benefits	4,912	6,363
– Share-based payments for share options granted	311	17,216
	5,223	23,579

Other Information

INTERIM DIVIDEND

The Board has declared an interim dividend of HK0.5 cent per share for the six months ended 30 June 2007 payable on or about 15 October 2007 to shareholders whose names appear on the Register of Members of the Company on 4 October 2007.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 28 September 2007 to 4 October 2007, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the share registrar of the Company, Computershare Hong Kong Investor Services Limited, at Rooms 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on 27 September 2007.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2007, the interests and short positions of the directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules were as follows:

Long position in the underlying shares of the Company

Name of director	Nature of interest	Number of underlying shares held (Note 1)	Approximate percentage of total number of issued shares (Note 2)
Zhou Zhongshu	Personal	3,000,000	0.17%
Xu Huizhong	Personal	2,600,000	0.14%
Wang Lixin	Personal	2,000,000	0.11%
Shen Ling	Personal	1,500,000	0.08%
Zhang Shoulian	Personal	1,500,000	0.08%
Zong Qingsheng	Personal	1,500,000	0.08%

Notes:

1. The directors' interests in the underlying shares are share options granted by the Company pursuant to the 2004 Share Option Scheme, details of which are set out under the section headed "Share Option Schemes".
2. The calculation is based on the number of underlying shares as a percentage of the total number of issued shares of the Company (i.e. 1,819,214,007 shares) as at 30 June 2007.

Other Information

DIRECTORS' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES (cont'd)

Long position in the underlying shares of the Company (cont'd)

Save as disclosed above, as at 30 June 2007, other than a nominee share in a subsidiary held by a director of the Company in trust for the Company, none of the directors or the chief executive of the Company or any of their associates has any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code. In addition, save as disclosed above, none of the directors or the chief executive of the Company nor their spouses or children under 18 years of age had been granted or had exercised any rights to subscribe for any equity or debt securities of the Company or any of its associated corporations (within the meaning of Part XV of the SFO).

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 30 June 2007, the following persons were recorded in the register required to be kept by the Company under section 336 of the SFO as having an interest or a short position in the shares and underlying shares of 5% or more of the issued shares of the Company:

Long position in the shares of the Company

Name	Capacity	Number of shares held	Approximate percentage of total number of issued shares (Note 1)
China Minmetals Corporation ("China Minmetals")	Interest of controlled corporations (Notes 2 & 3)	1,284,467,826	70.61%
China Minmetals Non-ferrous Metals Company Limited ("CMN")	Interest of controlled corporation (Note 2)	1,009,090,909	55.47%
Top Create Resources Limited ("Top Create")	Beneficial owner (Note 2)	1,009,090,909	55.47%
China Minmetals H.K. (Holdings) Limited ("Minmetals HK")	Interest of controlled corporation (Note 3)	275,376,917	15.14%
Coppermine Resources Limited ("Coppermine")	Beneficial owner (Note 3)	275,376,917	15.14%

Other Information

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY (cont'd)

Long position in the shares of the Company (cont'd)

Notes:

1. The calculation is based on the number of shares held by each person (whether directly/indirectly interested or deemed to be interested) as a percentage of the total number of issued shares of HK\$0.05 each (i.e. 1,819,214,007 shares) of the Company as at 30 June 2007.
2. Top Create is a wholly owned subsidiary of CMN which in turn is owned as to approximately 82.23% by China Minmetals. Accordingly, CMN and China Minmetals were by virtue of the SFO deemed to be interested in the 1,009,090,909 shares of HK\$0.05 each of the Company held by Top Create as at 30 June 2007.
3. Coppermine is a wholly owned subsidiary of Minmetals HK which in turn is a wholly owned subsidiary of China Minmetals. Accordingly, Minmetals HK and China Minmetals were by virtue of the SFO deemed to be interested in the 275,376,917 shares of HK\$0.05 each of the Company held by Coppermine as at 30 June 2007.

Save as disclosed above, as at 30 June 2007, no other person was recorded in the register required to be kept by the Company under section 336 of the SFO as having an interest or a short position in the shares and underlying shares of 5% or more of the issued shares of the Company.

SHARE OPTION SCHEMES

1994 Share Option Scheme

Pursuant to the share option scheme adopted by the Company on 25 November 1994 (the "1994 Share Option Scheme"), it had already expired on 24 November 2004. Accordingly, no further options would be granted in accordance with the provisions thereunder but in all other respects the provisions of the 1994 Share Option Scheme shall remain in force to govern the exercise of all the options granted prior to such expiry and shall continue to be valid and outstanding until the expiry of the exercise period. The exercise period for the 6,030,000 outstanding options had expired on 15 March 2007 and no options had been exercised prior to that date.

During the six months ended 30 June 2007, the movements of the options which have been granted under the 1994 Share Option Scheme are as follows:

Category and name of participant	Date of grant	Exercise price per share HK\$	Exercise period	Number of options				Balance as at 30 June 2007
				Balance as at 1 January 2007	Exercised during the period	Cancelled during the period	Lapsed during the period	
Director								
Xu Huizhong	15 March 2004 (Note 1)	3.115	16 March 2004 to 15 March 2007	2,000,000	-	-	2,000,000 (Note 2)	-
Employees of the Group	15 March 2004 (Note 1)	3.115	16 March 2004 to 15 March 2007	4,030,000	-	-	4,030,000 (Note 2)	-
				<u>6,030,000</u>	<u>-</u>	<u>-</u>	<u>6,030,000</u>	<u>-</u>

Notes:

1. In respect of the options granted on 15 March 2004, the closing price of the shares of the Company immediately before the date on which the options were granted was HK\$3.00 per share.
2. Options were lapsed due to expiry of the exercise period.

Other Information

SHARE OPTION SCHEMES (cont'd)

2004 Share Option Scheme

Pursuant to the share option scheme adopted by the Company on 28 May 2004 (the "2004 Share Option Scheme"), there were 23,000,000 options outstanding as at 30 June 2007.

During the six months ended 30 June 2007, the movements of the options which have been granted under the 2004 Share Option Scheme are as follows:

Category and name of participant	Date of grant	Exercise price per share HK\$	Exercise period	Number of options					Balance as at 30 June 2007
				Balance as at 1 January 2007	Granted during the period	Exercised during the period	Cancelled during the period	Lapsed during the period	
Directors									
Zhou Zhongshu	18 April 2006 (Note 2)	2.725	18 April 2006 to 17 April 2009	3,000,000	-	-	-	-	3,000,000
Xu Huizhong	18 April 2006 (Note 2)	2.725	18 April 2006 to 17 April 2009	2,600,000	-	-	-	-	2,600,000
Wang Lixin	18 April 2006 (Note 2)	2.725	18 April 2006 to 17 April 2009	2,000,000	-	-	-	-	2,000,000
Shen Ling	18 April 2006 (Note 2)	2.725	18 April 2006 to 17 April 2009	1,500,000	-	-	-	-	1,500,000
Zhang Shoulian	18 April 2006 (Note 2)	2.725	18 April 2006 to 17 April 2009	1,500,000	-	-	-	-	1,500,000
Li Linhu (Note 1)	18 April 2006 (Note 2)	2.725	18 April 2006 to 17 April 2009	1,500,000	-	-	-	-	1,500,000
Zong Qingsheng	18 April 2006 (Note 2)	2.725	18 April 2006 to 17 April 2009	1,500,000	-	-	-	-	1,500,000
Employees of the Group	18 April 2006 (Note 2)	2.725	18 April 2006 to 17 April 2009 (Note 3)	9,900,000	-	500,000 (Note 4)	-	-	9,400,000
				23,500,000	-	500,000	-	-	23,000,000

Other Information

SHARE OPTION SCHEMES (cont'd)

2004 Share Option Scheme (cont'd)

Notes:

1. Mr. Li Linhu ("Mr. Li") resigned as director of the Company with effect from 1 June 2007. Pursuant to the terms of the 2004 Share Option Scheme, Mr. Li is still eligible to exercise his options within three months following the date of cessation of his employment with the Company.
2. In respect of the options granted on 18 April 2006, the closing price of the shares of the Company immediately before the date on which the options were granted was HK\$2.60 per share.
3. Save as one employee who has been granted 1,000,000 options on 18 April 2006 with a vesting period of 18 months starting from 22 February 2006 till 21 August 2007.
4. The weighted average closing price of the shares of the Company immediately before the date on which the options were exercised was HK\$2.86.

CORPORATE GOVERNANCE

Corporate Governance Practices

The Company is committed to maintain a high standard of corporate governance practices by emphasising a quality board of directors, sound internal control, transparency and accountability to all the shareholders of the Company.

The Company has complied with all the code provisions set out in the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 of the Listing Rules throughout the period of the six months ended 30 June 2007 with the exception of code provision E.1.2 of the CG Code that the chairman of the Board should attend the annual general meeting. The chairman of the Board had not attended the annual general meeting of the Company held on 17 May 2007 due to other business commitment. The chairman of the Board will endeavor to attend all future annual general meetings of the Company.

Audit Committee

The audit committee of the Company comprises three independent non-executive directors, namely Mr. Liu Hongru, Mr. Chan Wai Dune and Mr. Ting Leung Huel, Stephen and one non-executive director, Mr. Zong Qingsheng. Mr. Ting Leung Huel, Stephen is the chairman of the audit committee. The principal duties of the audit committee include the review and supervision of the financial reporting process and internal 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 2007.

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 as set out in Appendix 10 of the Listing Rules.

Having made specific enquiry with all the directors of the Company, all of them confirmed that they have complied with the required standard set out in the Model Code and the Code of Conduct during the six months ended 30 June 2007.

Other Information

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

During the six months ended 30 June 2007, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

By order of the Board
Xu Huizhong
Executive Director and President

Hong Kong, 6 September 2007



五礦資源有限公司
MINMETALS RESOURCES LIMITED