五礦資源有限公司
MINMETALS RESOURCES LIMITED

Stock Code 股份代號: 1208

Raising Value

Annual Report 年報 2009

Contents

Corporate Information

BOARD OF DIRECTORS

Chairman
LI Fuli *(Non-executive Director)*

Executive Directors
HAO Chuanfu
ZHAN Wei

Non-executive Directors
SHEN Ling
WANG Lixin
ZONG Qingsheng
XU Jiqing
LI Liangang

Independent Non-executive Directors
LI Dongsheng
TING Leung Huel, Stephen, *FCCA, FCPA (Practising), ACA, FTIHK*
LOONG Ping Kwan

AUDIT COMMITTEE

Chairman
TING Leung Huel, Stephen, *FCCA, FCPA (Practising), ACA, FTIHK*

Members
LI Dongsheng
LOONG Ping Kwan
ZONG Qingsheng
XU Jiqing

REMUNERATION COMMITTEE

Chairman
LOONG Ping Kwan

Members
LI Fuli
LI Dongsheng
HAO Chuanfu
TING Leung Huel, Stephen, *FCCA, FCPA (Practising), ACA, FTIHK*

COMPANY SECRETARY

LEUNG Suet Kam, Lucia, *FCIS, FCS*

CHIEF FINANCIAL OFFICER

CHAN Chi Kong, Morison, *FCCA, FCPA, FCIS, FCS, CFA*

LEGAL ADVISER

Deacons

AUDITOR

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

Bank of China Limited
Citic Ka Wah Bank Limited
Industrial and Commercial Bank of China Limited
Standard Chartered Bank (Hong Kong) Limited

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

12th Floor, China Minmetals Tower
79 Chatham Road South
Tsimshatsui
Kowloon
Hong Kong

WEBSITE

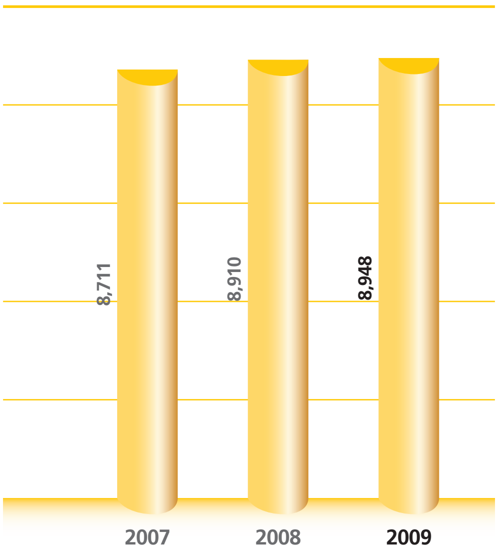
www.minmetalsresources.com

SHARE LISTING

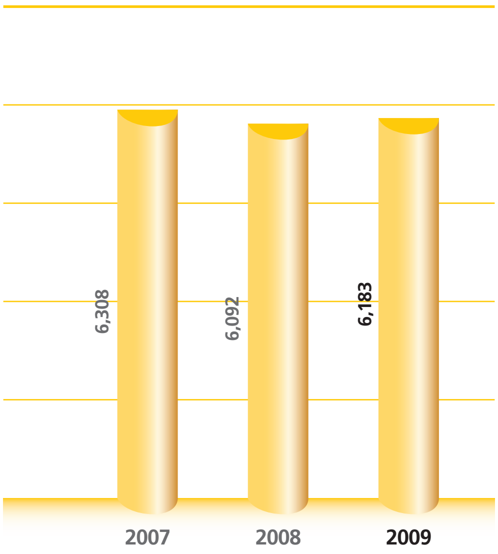
The Stock Exchange of Hong Kong Limited
Stock Code: 1208

Financial Highlights

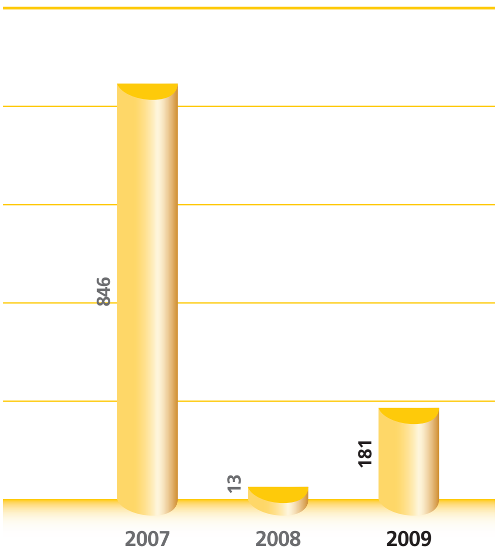
Total Assets (HK$ Million)



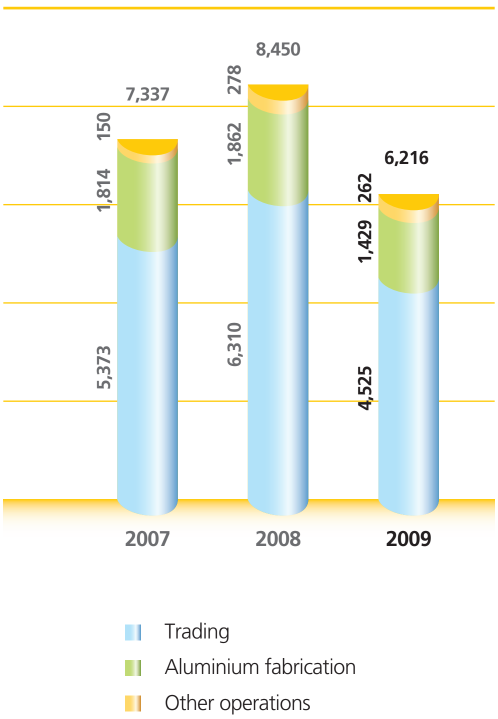
Shareholders' Equity (HK$ Million)



Profit Attributable to Equity Holders of the Company (HK$ Million)



Segment Revenue (HK$ Million)



Chairman's Message

Mr. LI Fuli
Chairman

RESULTS

2009 was a year of turbulence for the non-ferrous metals industry. In respect of the aluminium industry in which the Group was principally operating, prices fell sharply and hit bottom in early 2009, while demand contracted significantly. Prices began to stabilise in the second quarter and then generally displayed an upward trend since the third quarter. Under the volatile market conditions, Minmetals Resources' consolidated revenue for the 12 months ended 31 December 2009 was 6,215.8 million, representing a 26% decline against the previous year. Nonetheless, consolidated net profit amounted to HK$181.1 million which was substantially better than last year. Basic earnings per share amounted to HK8.94 cents. The Group had leveraged on its prudent management strategy and sound financial position and, given the severe economic and market conditions, I believe it had performed well.

DIVIDEND

After careful consideration of the Group's funding needs for future business opportunities, the Board did not declare the payment of interim dividend for 2009, nor will it recommend the payment of a final dividend. The Board will continue to review the dividend policy in accordance with the operating conditions of Minmetals Resources.

Chairman's Message

BUSINESS REVIEW

With respect to the Group's trading business, sharp fall in aluminium prices and shrinking demand continued through most of the first quarter of 2009 since the global recession began to take effect in the last quarter of 2008. The industry cycle reached bottom in the first quarter of 2009. In the PRC, fuelled by the government's economic stimulus programmes, demand from key aluminium end users such as real estate, automotive and other industrial production sectors resumed uptrend since then. Both aluminium prices and demand in the PRC rebounded. Nevertheless, there was still a significant decline in the average aluminium prices in 2009 as compared to those of 2008. The Group's alumina and aluminium ingot trading business had inevitably been adversely affected. Therefore, segment revenue and profit contribution from trading business for the year decreased as compared with that of the previous year. However, the 400,000 tonnes of imported alumina sourced through Alcoa contract, coupled with the supply from the Group's 33%-owned Guangxi Huayin Aluminium Company Limited ("Guangxi Huayin"), enabled the Group to provide its long-established customer base with stable supply of approximately 900,000 tonnes of alumina per annum. This had been crucial in weathering the negative impact caused by the cyclical decline in alumina demand.

On the front of aluminium resources exploration and operation integration, Guangxi Huayin curtailed production during the year under review in response to the sluggish alumina market in early 2009. With gradual recovery in alumina demand, Guangxi Huayin resumed utilisation of some of its production capacities in May 2009 and reached full production capacity in September 2009. Having benefited from the recovery in price and demand, together with lower unit production cost as a result of increased capacity utilisation, Guangxi Huayin reported continued improvement in profitability. Profit contribution generated in the second half of 2009 offset part of the loss made in the first half, and full year loss for 2009 narrowed substantially as compared with that of the previous year. Guangxi Huayin is one of the largest and the most advanced alumina plants in the PRC. It is also one of a few integrated alumina plants with its own bauxite mine and is among the lowest-cost alumina refinery plants in the PRC. The shareholders of Guangxi Huayin subscribed for new shares in proportion to their respective shareholdings in 2009 and early 2010. Total additional share capital amounted to approximately RMB319.2 million. The additional funding would be used to finance construction of infrastructure and a technology enhancement project driving improvements in energy-saving, wastage reduction and production efficiency. It is expected, with the success of these enhancements, the efficiency and production capabilities of Guangxi Huayin will be further strengthened. Regarding the Group's project for exploration of bauxite and establishment of an alumina refinery facility in Jamaica, further works undertaken as part of the feasibility study to optimise project value are underway, with an aim to determine the plan for the advancement of the project.

For aluminium fabrication business, the Group's 72.8%-owned subsidiary, North China Aluminium Company Limited ("NCA"), was negatively impacted by recessionary conditions during the year under review. However, effective sales management and cost control offset the negative effects from lower aluminium prices and sales volume. The construction of "1850mm Super-thin, Wide and Compound Aluminium Foil Production Line Project" had progressed smoothly. These production lines are now undergoing trial run, with commercial production scheduled in the second half of 2010. NCA's annual aluminium foil production capacity is expected to be increased by 25,000 tonnes.

Chairman's Message

BUSINESS REVIEW *(cont'd)*

Regarding the copper fabrication business, increased government spending in infrastructure led to recovery of the power cable industry. Subsidy scheme for residents buying household appliances boosted demand for magnet wires. The Group's 36.3%-owned jointly-controlled company, Changzhou Jinyuan Copper Company Limited ("Changzhou Jinyuan"), continued to consolidate its market position in copper rod and copper wire supply during the year under review. Changzhou Jinyuan returned to black, making an encouraging profit contribution. The newly built copper rod production line with a 300,000-tonne annual production capacity is on trial run. It is expected that commercial production will commence in mid-2010.

The Group disposed its entire interest of approximately 11.5 million shares in Sino Gold Mining Limited ("Sino Gold") in June 2009. The investment in Sino Gold was not a core business of the Group and the disposal created a good opportunity for realising a gain. The net proceeds of approximately HK$386.7 million further enhanced the Group's financial strength and provided additional source of fund for future development.

OUTLOOK

An important aspect of the non-ferrous metals industry is its cyclical behaviour. Despite facing cyclical turbulence, Minmetals Resources had performed resiliently during the year under review. The Group had implemented a number of measures to strengthen internal management, including rationalisation of group structure, enhancement of corporate governance and risk management, and disposal of non-core business. All these laid down a solid foundation for future growth. Although major leading economic indicators showed that the worst of the economic downturn may have passed, operating conditions remain challenging. With Minmetals Resources' distinctive and solid mode of operation, the Board is cautiously optimistic about the future. Minmetals Resources will adhere to its strategies, which include: the Group will fully leverage on its competitive edges in alumina and aluminium ingot business operations to maintain and consolidate its market position, and will continue to push ahead with aluminium operation integration to enhance its overall competitiveness; and by capitalising on its status as China Minmetals Corporation's overseas platform for non-ferrous metals businesses, the Group will explore other metals with strategic value and gradually develop into an international metals and mining conglomerate.

On behalf of the Board, I would like to thank our shareholders for their unfailing support and all employees for their wholehearted commitment. Minmetals Resources is dedicated to achieving sustainable growth and creating value for its shareholders in the long run.

LI Fuli
Chairman

Hong Kong, 29 March 2010

Management Discussion and Analysis

OVERVIEW

Weakened demand and price slump in the alumina and aluminium markets – the aftermath of the global financial tsunami – posed a difficult business environment to the Group in 2009. To cope with this challenge, the Group has stepped up its efforts in market exploitation and analysis, consolidated its operations in the value chain and strengthened its management, operational and cost controls. By securing higher trading volume and better utilisation of its production facilities in the second half of 2009, the Group has experienced a gradual recovery, albeit the uplift is still characterised by uncertainty and volatility in some business units.

The Group's revenue for the year of 2009 amounted to HK$6,215.8 million, representing a decrease of 26.4% from 2008. However, with improved returns from the aluminium fabrication business and jointly-controlled companies as well as the disposal gain of non-core business, the Group recorded significant improvement in net profit during the year. The profit attributable to the equity holders of the Company increased from HK$12.5 million in 2008 to HK$181.1 million in 2009.

FINANCIAL REVIEW

Revenue

	2009	2008	**Decrease**	
	HK$ million	*HK$ million*	*HK$ million*	*%*
Trading	**4,524.5**	6,310.4	**(1,785.9)**	(28.3)
Aluminium fabrication	**1,429.2**	1,862.4	**(433.2)**	(23.3)
Other operations	**262.1**	277.5	**(15.4)**	(5.5)
Total external revenue	**6,215.8**	8,450.3	**(2,234.5)**	(26.4)

The Group recorded consolidated revenue of HK$6,215.8 million in 2009, representing a decrease of 26.4% when compared to last year. Overall sales volume of the Group saw no significant changes. For the trading business, the decline in alumina sales (about 89,400 tonnes or 6.3%) was largely offset by the increase in aluminium ingot sales (about 12,100 tonnes or 11.9%). For the aluminium fabrication, sales volume decreased by 5.5%. As such, the drop in revenue was mainly attributable to the plunge in alumina and aluminium prices. Although remarkable rebounds already occurred in 2009 – especially in the second half of the year, alumina and aluminium prices still fell far behind the pre-financial tsunami level. The average alumina sales price of the Group dropped by 33.7% from $3,248 per tonne in 2008 to HK$2,154 per tonne in 2009.

Management Discussion and Analysis

FINANCIAL REVIEW *(cont'd)*

Gross profit

Overall gross profit margin reduced slightly from 4.0% in 2008 to 3.9% in 2009. The Group recorded gross profit of HK$239.6 million in 2009, a decrease of HK$96.6 million or 28.7% when compared to 2008. The decline was mainly due to the drop in average selling price.

During the year, trading business – the Group's most important revenue and profit contributor – faced significant pressures on both sales and cost sides. On the sales side, although recovery in alumina price occurred in the second half of 2009, intensified competition and growing surplus limited the growth momentum. On the cost side, as the cost of alumina sourced under a long-term supply contract from a supplier was in some way correlated to the production cost of that supplier and therefore its fluctuation might not fully match with the alumina price fluctuation in the spot market. Comparing the situation in 2009 to 2008, the fall in the procurement cost of alumina under this contract could not catch up with the corresponding fall in the market price of alumina.

Selling expenses

Sales volume of the Group for the year showed no significant changes but selling expenses decreased by 29.6% to HK$75.5 million (2008: HK$107.3 million). This was mainly due to the decrease in transportation and port charges. However, because of the drop in the Group's revenue – mainly due to the substantial decrease in selling price, selling expenses to revenue ratio only decreased slightly from 1.3% to 1.2%.

Administrative expenses

To cope with the difficult economic situation, the Group further tightened its cost controls in 2009. The Group's administrative expenses for the year decreased by 14.9% to HK$162.2 million (2008: HK$190.7 million). The decrease was mainly due to the reduction in staff costs and professional fees. However, because of the drop in the Group's revenue – mainly due to the substantial decrease in selling price, administrative expenses to revenue ratio increased from 2.3% to 2.6%.

Other (losses)/gains – net

The Group reported other losses – net of HK$10.7 million in 2009, compared to other gains – net of HK$62.8 million in 2008. The major changes in 2009 include: (i) the increase in provision for impairment of other receivables of HK$46.6 million; and (ii) as Renminbi showed little appreciation during the year, exchange gain recorded in 2009 decreased by HK$23.7 million when compared to 2008, albeit remarkable exchange gains were derived from the Group's Australian dollars bank deposits in 2009.

Management Discussion and Analysis

FINANCIAL REVIEW *(cont'd)*

Other (losses)/gains – net *(cont'd)*

The increase in provision for impairment of other receivables in 2009 was mainly related to the Group's trading business segment. During the year, the financial position of an aluminium smelter, who entered into tolling arrangement with the Group, was severely affected because of the global financial tsunami and the sudden reduction in its operating scale. This caused it failed to execute the tolling contracts and repay other receivables owed to the Group, amounting to approximately HK$98.0 million at 31 December 2009, on schedule. In view of the uncertainty of the recoverability of these receivables, specific provision for impairment of approximately HK$49.0 million was provided. As a protective measure, a power generation unit of this aluminium smelter is pledged as collateral for these receivables. Currently, this aluminium smelter is still in normal production. The Group will continue to make every endeavour to recover these receivables so as to satisfactorily resolve the issue. Although the results for 2009 have been affected to a certain extent, the Group remains in strong liquidity and financial position. All business sections – trading as well as others – have been operating normally.

Gain on disposal of available-for-sale financial assets

In the first half of 2009, the Group disposed its entire interest of approximately 11.5 million shares in Sino Gold Mining Limited and recorded a net gain of approximately HK$214.7 million.

Finance costs – net

Finance costs – net increased by HK$7.9 million from HK$24.6 million in 2008 to HK$32.5 million in 2009, mainly due to the decrease in interest income. Under a low interest rate environment, the Group's interest income decreased by HK$12.9 million during the year.

Share of post-tax profits less losses of jointly-controlled companies

The Group's share of the results of its jointly-controlled companies is as follows:

Jointly-controlled companies	**Interest held**	**2009** ***HK$ million***	2008 *HK$ million*
Changzhou Jinyuan Copper Company Limited (“Changzhou Jinyuan”)	36.3%	**39.1**	(4.4)
Guangxi Huayin Aluminium Company Limited (“Guangxi Huayin”)	33%	**(18.9)**	(33.6)
Mincenco Limited (“Mincenco”)	51%	**(1.3)**	(17.5)
The Group's share of post-tax profits less losses		**18.9**	(55.5)

Management Discussion and Analysis

FINANCIAL REVIEW *(cont'd)*

Share of post-tax profits less losses of jointly-controlled companies *(cont'd)*

Changzhou Jinyuan – The increase in profit in 2009 was mainly due to:

i) Changzhou Jinyuan's sales volume of copper rods and wires increased by 6.4% – the subsidy scheme for residents buying household appliances boosted the demand for magnet wires;

ii) Proactive inventory management helped Changzhou Jinyuan seized the opportunities in the commodity market and lowered its raw materials procurement costs in 2009;

iii) Enhanced production efficiency and cost control;

iv) Substantial rebound of copper prices caused the actual losses incurred on certain copper futures contracts upon the execution of their corresponding physical contracts in 2009 were much smaller than the unrealised mark-to-market losses as previously recorded 2008, and thus boosted the profit in current year; and

v) Provision for certain manufacturing equipments made in the second half of 2009 – in light of the migration to the new production line in next year – partly offset the above positive effect on profit.

Guangxi Huayin – In 2009, alumina sales and production volume was about 1.3 million tonnes and loss for the year was mainly due to:

i) Operating loss incurred in the first half of the year primarily as a result of the weak alumina price and under-utilisation of production capacity; and

ii) Situation improved in the second half of the year as economy gradually recovered. Guangxi Huayin resumed to operate at full production capacity in the third quarter and earned positive monthly results in the following months. However, this could not fully recoup the lost ground previously made during the year.

Mincenco – The bauxite exploration and alumina refinery project in Jamaica is still in the feasibility study phase, so no profit contribution in 2009.

Management Discussion and Analysis

FINANCIAL REVIEW *(cont'd)*

Share of post-tax profits of associates

The Group's share of the results of its associates is as follows:

Associates	**Interest held**	**2009** *HK$ million*	2008 *HK$ million*
Sino Nickel Pty Ltd ("Sino Nickel")	40%	**8.5**	13.7
Qingdao M.C. Packaging Limited ("Qingdao M.C.")	20%	**4.8**	7.9
Others		**0.7**	0.9
The Group's share of post-tax profits		**14.0**	22.5

Sino Nickel – Sales volume grew by 5.4% but with average selling price of nickel concentrate slumped by about 40%, profit reduced significantly when compared to last year.

Qingdao M.C. – Sales volume of aluminium cans remained stable. Profit contribution reduced mainly due to decline in and downward pressure on selling price as a result of intense market competition.

Management Discussion and Analysis

SEGMENTAL ANALYSIS

Trading

In 2009, trading business accounted for 72.8% (2008: 74.7%) of the Group's external revenue and reported operating loss of HK$17.4 million (2008: operating profit of HK$63.3 million). Alumina and aluminium ingots remained the major trading products during the year, representing about 63.8% (2008: 73.6%) and 36.2% (2008: 26.4%) respectively of the external revenue of this segment.

		2009	2008	**Increase/(Decrease)**	
					%
External revenue	(HK$ million)				
Alumina		**2,885.2**	4,641.4	(1,756.2)	(37.8)
Aluminium ingot		**1,638.8**	1,666.3	(27.5)	(1.7)
Others		**0.5**	2.7	(2.2)	(81.5)
Total		**4,524.5**	6,310.4	(1,785.9)	(28.3)
Sales volume	('000 tonnes)				
Alumina		**1,339.6**	1,429.0	(89.4)	(6.3)
Aluminium ingot		**113.6**	101.5	12.1	11.9
Average selling price	(HK$ per tonne)				
Alumina		**2,154**	3,248	(1,094)	(33.7)
Aluminium ingot		**14,430**	16,420	(1,990)	(12.1)
Operating (loss)/profit	(HK$ million)	**(17.4)**	63.3	(80.7)	(127.5)

Notwithstanding the concerns about growing surplus and the sustainability of economic recovery, the market prices of alumina and aluminium showed remarkable rebounds since early 2009.

As for the PRC alumina market, spot prices continued to slump at the beginning of 2009 and dropped to about RMB1,800 per tonne (tax included, similarly hereinafter) in February. Then, some signs of stabilisation and support were found in the latter months. In early April, prices jumped by more than 20% to about RMB2,200 to RMB2,300 per tonne in response to the restart of idle capacity by some aluminium smelters and the upsurge of aluminium prices after the buying of aluminium reserve by the State Reserve Bureau. Attracted by the price jumps, certain alumina producers restarted idle capacity but less-than-expected restart of capacity by local aluminium smelters lowered the demand for alumina again. Prices thus eased back in June and traded around RMB2,000 per tonne. Wider economic recovery fueled up the price rises in the second half of the year. Alumina spot prices moved steadily upward from July to September. After reaching RMB2,500 per tonne in September, prices remained relatively flat in the following months. And near the year end, alumina prices rose again and surged to about RMB2,900 per tonne as smelters started to stock materials before the Lunar New Year holiday.

Management Discussion and Analysis

SEGMENTAL ANALYSIS *(cont'd)*

Trading *(cont'd)*

Because of the linkage between alumina and aluminium – alumina is the main raw material used to produce aluminium, aluminium prices also showed similar rebounds during the year, increasing from about RMB12,000 per tonne (tax included, similarly hereinafter) at the beginning of the year to about RMB17,000 per tonne towards the year end.

Although alumina and aluminium prices showed notable rebounds in 2009 when compared to the lowest level last year, the large inventory build-up and uncertainty on the sustainability of economic recovery still raised concerns over the price outlook. Volatile price fluctuations and increasing domestic alumina production posed significant challenges to alumina importers.

To meet with the market changes, the Group has flexibly adjusted the business focus in order to optimise its value chain. During the year, it had strengthened its inventory controls, increased sourcing of commodities from the domestic market and self-owned resources, and expanded the tolling operation. Through these measures and by capitalising on the positive flow-on effects of the stimulus package on alumina and aluminium consumption, the Group only posted slight decline in the trading volume of alumina by 6.3% and recorded 11.9% increase in the trading volume of aluminium ingot.

Nevertheless, due to the plunge in the Group's alumina selling price – dropped about 34% on average when compared to 2008, trading revenue of the Group declined sharply by 28%. This, coupled with the provision for impairment of receivables of HK$49.0 million and the depressed trading margin, caused the Group's trading segment recorded operating loss of HK$ 17.4 million in 2009.

Aluminium Fabrication

Aluminium fabrication accounted for 23.0% (2008: 22.0%) of the Group's external revenue and contributed HK$43.7 million (2008: HK$28.8 million) to the Group's operating profit in 2009. The Group operated its aluminium fabrication business through a 72.8%-owned subsidiary, North China Aluminium Company Limited ("NCA").

		2009	2008	**Increase/(Decrease)**	
					%
External revenue	(HK$ million)	**1,429.2**	1,862.4	(433.2)	(23.3)
Sales volume	('000 tonnes)	**74.1**	78.4	(4.3)	(5.5)
Operating profit	(HK$ million)	**43.7**	28.8	14.9	51.7

Demand for downstream aluminium products has shrunk substantially after the international financial crisis, particularly in the overseas markets. Situation showed some improvements in the second half of 2009 but export slowdown still triggered fierce competition among the PRC manufacturers in the domestic market.

Management Discussion and Analysis

SEGMENTAL ANALYSIS *(cont'd)*

Aluminium Fabrication *(cont'd)*

In 2009, sales volume and revenue of NCA decreased by 5.5% and 23.3% respectively when compared to last year. Sales volume declined mildly as the drop in aluminium foil stock (which can be further processed into light gauge aluminium foil) and aluminium fin stock was negated by the increase in other products, like hydrophilic fin stock and PS substrate. As exaggerated by the drop in aluminium price, NCA recorded a higher percentage decline in revenue. As such, the improvement in NCA's operating profit was mainly derived from the cost side, including: (i) reduced staff costs and various administrative expenses; and (ii) decrease in exchange losses.

Other Operations

This segment mainly includes production and sale of aluminium processing equipment, production and sale of plica tubes (flexible metals conduits) and port logistics services, which in aggregate accounted for 4.2% (2008: 3.3%) of the Group's external revenue and contributed HK$4.9 million (2008: HK$11.7 million) to the Group's operating profit in 2009.

OTHER FINANCIAL INFORMATION

Financial Resources and Liquidity

The Group remained in a strong liquidity and financial position for the year ended 31 December 2009. During the year, total assets and shareholders' equity increased by 0.4% and 1.5% respectively to HK$8,948.4 million and HK$6,182.9 million respectively. Current ratio improved from 2.0 to 2.4.

As at 31 December 2009, the Group was in a net cash position of HK$762.9 million, representing cash and bank deposits of HK$1,968.2 million less total borrowings of HK$1,205.3 million (comprising bank borrowings of HK$1,009.9 million and advances from banks for discounted bills of HK$195.4 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$1,968.2 million at 31 December 2009, were mainly denominated in US dollars (48%), Renminbi (30%) and Australian dollars (21%).

As at 31 December 2009, the profile of the Group's bank borrowings was as follows:

(1) 58% were in Renminbi and 42% were in US dollars;

(2) 24% were in fixed rates and 76% were in floating rates;

(3) 37% were repayable within 1 year, 15% were repayable between 1 and 2 years, 24% were repayable between 2 and 5 years and 24% were repayable after 5 years.

Management Discussion and Analysis

OTHER FINANCIAL INFORMATION *(cont'd)*

Material Acquisitions and Disposals

In March 2009, the Group increased its investments in its jointly-controlled company, Changzhou Jinyuan, by a cash injection of approximately HK$42.4 million. The cash contribution from the Group, together with those provided by other shareholders, was used by Changzhou Jinyuan to finance the construction of a new copper rod production line with an annual capacity of 300,000 tonnes. After this cash injection, the Group's interest in Changzhou Jinyuan increased slightly from 36% to about 36.3%.

In June 2009, the Group disposed its entire interest of 11,492,912 shares in Sino Gold Mining Limited to certain independent third parties and recorded a net gain of approximately HK$214.7 million. The disposal represents a good opportunity to realise a gain from the investment and the net proceeds of approximately HK$386.7 million would be used by the Group as general working capital and to fund any potential investments available to the Group in the future.

During the year ended 31 December 2009, the Group provided the following cash contributions to its jointly-controlled companies:

(1) Approximately HK$38.8 million was provided to Guangxi Huayin to support its construction of transport system and other infrastructures; and

(2) Approximately HK$8.1 million was provided to Mincenco to support its daily operations in the feasibility study stage.

After the completion of the capital injection of approximately HK$1.8 million in November 2009, the Group increased its equity interest in Yin Fa Transportation Company Limited ("Yin Fa"), an associate owned as to 48.5% previously by the Group, to 65%. Yin Fa has been consolidated into the Group's consolidated financial statements since then. Prior to the capital injection, Yin Fa was equity accounted for as an interest in an associate. The principal business of Yin Fa is provision of transportation services.

Contingent Liabilities

The Group had no material contingent liability as at 31 December 2009.

Management Discussion and Analysis

OTHER FINANCIAL INFORMATION *(cont'd)*

Capital Expenditure and Commitments

The Group incurred capital expenditure of approximately HK$266.5 million for year ended 31 December 2009, which was mainly related to the construction of a new aluminium foil production line and the upgrade of other production facilities.

The Group's capital commitments as at 31 December 2009 amounted to approximately HK$54.8 million, which were mainly related to the upgrade and expansion of production facilities in the Group's aluminium fabrication business.

Charge on Assets

As at 31 December 2009, 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 as well as inventories of the Group with a total carrying amount of approximately HK$366.5 million; and

(3) Bank deposits of approximately HK$35.4 million.

Risk Management

The Group does not and is prohibited to enter into derivative contracts for speculative purpose. Set out below are the risk areas that the Group may enter into derivative contracts or implement other measures from time to time to hedge against the risks.

(a) Commodity price risk

In order to mitigate the price fluctuations of alumina and aluminium that may cause to its trading and aluminium fabrication businesses, the Group has entered into certain aluminium futures contracts in 2009. As at 31 December 2009, the Group's long and short positions in aluminium futures contracts amounted to approximately 5,625 tonnes and 37,595 tonnes respectively.

(b) Interest rate risk

The Group has used interest rate swaps to reduce the impact of interest rate fluctuation on its operation. There was no new interest rate swap entered during the year and the outstanding principal amount of the Group's interest rate swaps amounted to approximately HK$429.0 million at 31 December 2009.

Management Discussion and Analysis

OTHER FINANCIAL INFORMATION *(cont'd)*

Risk Management *(cont'd)*

(c) Foreign exchange risk

The Group's foreign exchange risk exposure primarily related to its operations in Hong Kong, Mainland China and Australia. The Group's revenue is principally denominated in Renminbi and United States dollars, while cost of sales and other expenses are mainly denominated in United States dollars, Renminbi, Australian dollars and Hong Kong dollars. Given the exchange rate peg between Hong Kong dollars and United States dollars, it is not foreseen that the Group will be exposed to significant exchange risk for transactions conducted in these two currencies. However, exchange rate fluctuations of Renminbi or Australian dollars against United States dollars or Hong Kong dollars may affect the Group's performance and asset value. The Group had not entered into any derivative contracts to hedge against this risk for the year ended 31 December 2009.

Event after Balance Sheet Date

On 28 January 2010, Minmetals Aluminium Company Limited ("Minmetals Aluminium"), a wholly-owned subsidiary of the Company, entered into an agreement for a capital injection of approximately RMB71,325,000 (equivalent to approximately HK$81,311,000) into its 33%-owned jointly-controlled company, Guangxi Huayin. Minmetals Aluminium settled the above capital injection in cash on 29 January 2010 and immediately after this, its equity interest in Guangxi Huayin remained unchanged at 33%.

Human Resources

At 31 December 2009, the Group employed a total of 2,551 full-time employees (not including the employees of jointly-controlled companies and associates), of which 15 were based in Hong Kong, 13 were in Australia and the remaining ones were in Mainland China. The total staff costs, including the directors' emoluments, for the year ended 31 December 2009 amounted to HK$136.6 million.

The Group has adopted salary policies in line with market practice and remunerated its employees based on their performance and experience. Other employee benefits include performance-related bonuses, insurance and medical coverage and share option scheme. Whilst pursuing a range of cost-saving measures to improve efficiency amid the difficult operating environment during the year, the Group remains to see committed and competent workforce as a key to corporate success. Various forms of training are provided to staff as and when necessary.

Directors and Senior Management

DIRECTORS

Chairman

Mr. LI Fuli, aged 44, was appointed as a non-executive director of the Company in May 2009 and was re-designated as a non-executive director and the chairman of the Company in July 2009. He is a member of the remuneration committee of the Company. Mr. Li is the vice president of China Minmetals Corporation ("China Minmetals"), the ultimate controlling shareholder of the Company, and is also responsible for the non-ferrous metals development. He is also the chairman of Shanxi Guanlu Co. Ltd. (a company listed on the Shenzhen Stock Exchange). Mr. Li holds a Bachelor's degree in Financial Accounting from the Renmin University of China in the PRC and an Executive Master of Business Administration degree from the Cheung Kong Graduate School of Business in the PRC. He joined the China Minmetals Group in 1988 and had been subsequently assigned to a number of subsidiaries. Mr. Li was the vice general manager of Minmetals Finance Co. Ltd. in 1994 and was the general manager from 1997 to 2002 and from 2005 to 2008. He was also the vice general manager of Finance Branch of China Minmetals from 2001 to 2002. In 2002, Mr. Li was the vice general manager of Minmetals Investment & Development Co. Ltd. and was the general manager from 2005 to April 2009. In 2007, he was the assistant president of China Minmetals and was promoted to vice president in 2008. Mr. Li has extensive experience in strategic investment, corporate finance and financial management.

Mr. ZHOU Zhongshu, aged 57, was appointed as a non-executive director and the chairman of the Company in October 2005 and tendered his resignation in July 2009. He is the president of China Minmetals and the chairman of China Minmetals Non-ferrous Metals Company Limited ("CMN"), the immediate controlling shareholder of the Company. Mr. Zhou is also the chairman of China Minmetals H.K. (Holdings) Limited ("Minmetals HK"), and the chairman of Minmetals Development Co., Ltd. (a company listed on the Shanghai Stock Exchange). He graduated from Shanghai International Studies University in the PRC and majored in Spanish language. Mr. Zhou joined the China Minmetals Group in 1978. From 2000 to 2002, he was the Commercial Counsellor of the Chinese Embassy in Spain. Mr. Zhou has extensive experience in international trading and strategic investment and over twenty four years of experience in non-ferrous metals industry.

Executive Directors

Mr. HAO Chuanfu, aged 43, was appointed as an executive director and the president of the Company in May 2008. He is a member of the remuneration committee of the Company. Mr. Hao has also served as a director of a number of subsidiaries and an associate of the Company. He graduated from the University of International Business and Economics in the PRC with a degree of junior college in accounting in 1986. Mr. Hao is a certified public accountant in the PRC. He joined the China Minmetals Group in 1986 and had been assigned to a number of departments and subsidiaries of China Minmetals, both in the PRC and overseas. In 1996, Mr. Hao was the section chief of the Finance Department of CMN. He subsequently became the assistant general manager of CMN in 1998 and was promoted as the deputy general manager in 1999. From 2000 to 2001, Mr. Hao was the assistant general manager of China National Nonferrous Metals Industry Trading Group Corporation. From 2001 to 2008, he was the general manager of Minmetals North-Europe AB. Mr. Hao has extensive experience in international business, financial management and corporate management.

Directors and Senior Management

DIRECTORS *(cont'd)*

Executive Directors *(cont'd)*

Mr. ZHAN Wei, aged 40, was appointed as an executive director and a vice president of the Company in November 2009. He has also served as a director of certain subsidiaries of the Company. Mr. Zhan holds a Bachelor's degree in Hindi language from the Foreign Languages University, PLA in the PRC and a Master's degree in National Defence Economics from the Postgraduate School of the National Defence University, PLA in the PRC. He joined the China Minmetals Group in 2000 and had been assigned to a number of subsidiaries of China Minmetals. From 2001 to 2006, Mr. Zhan was the vice chief representative and subsequently the chief representative of Sino Mining International Limited, a subsidiary of the Company. He is the vice general manager and a director of Minmetals Aluminium Company Limited, a subsidiary of the Company since 2007 and 2008 respectively. Mr. Zhan has over ten years of experience in corporate investment and management.

Mr. REN Suotang, aged 46, was appointed as an executive director and a vice president of the Company in September 2006 and tendered his resignation in November 2009. He holds a Bachelor of Engineering degree in Metallurgy of Non-ferrous Metals from the Hebei Institute of Mining and Metallurgy in the PRC and a Master of Science degree in Chemical Metallurgy from the Institute of Chemical Metallurgy, Chinese Academy of Sciences in the PRC. Mr. Ren also obtained a Certificate for Senior Economist in International Business from the Ministry of Foreign Trade and Economics Cooperation in the PRC in 1996. He joined the China Minmetals Group in 1987 and worked for a number of subsidiaries of China Minmetals both in the PRC and overseas. From 1999 to 2005, Mr. Ren held senior management positions in the overseas subsidiaries of China Minmetals in Brazil. He has extensive experience in international metals trading and corporate management.

Non-executive Directors

Ms. SHEN Ling, aged 48, was appointed as a non-executive director of the Company in October 2005. She is the chief financial officer of China Minmetals. Ms. Shen has been a director of Minmetals HK since 2004. She was a director of Minmetals Development Co., Ltd. (a company listed on the Shanghai Stock Exchange) in 2003 and was subsequently resigned on 22 April 2009. Ms. Shen holds a Bachelor of Arts degree in business planning statistics from Anhui Institute of Finance and Trade in the PRC and a Master of Business Administration degree from Cheung Kong Graduate School of Business in the PRC. She joined the China Minmetals Group in 1987. Ms. Shen has over twenty four years of experience in accounting and corporate financial management.

Mr. WANG Lixin, aged 42, was appointed as an executive director and a vice president of the Company in October 2005 and was re-designated as a non-executive director of the Company in January 2008, a non-executive director and the vice chairman of the Company in July 2009 and subsequently a non-executive director of the Company in December 2009 respectively. He has also served as a director of three subsidiaries of the Company. From 2007 to 2009, Mr. Wang was the president of CMN. He was a director of Shanxi Guanlu Co. Ltd. (a company listed on the Shenzhen Stock Exchange) in April 2009 and was subsequently resigned on 9 December 2009. Mr. Wang holds a Bachelor of Arts degree in International Trade from the University of International Business and Economics in the PRC in 1990. He joined the Ministry of Foreign Trade and Economic Cooperation in 1990 and subsequently, the China Minmetals Group in 1995. Mr. Wang has over fourteen years of experience in foreign trade and corporate management, as well as five years of experience with government services.

Directors and Senior Management

DIRECTORS *(cont'd)*

Non-executive Directors *(cont'd)*

Mr. ZONG Qingsheng, aged 50, was appointed as a non-executive director of the Company in October 2005. He is a member of the audit committee of the Company. Mr. Zong is the assistant president and also the general manager of the investment management department of China Minmetals. He has been a director of each of CMN and Minmetals HK since 2004 and a director of each of Minmetals Development Co., Ltd. (a company listed on the Shanghai Stock Exchange) and Shenzhen SDG Information Co., Ltd. (a company listed on the Shenzhen Stock Exchange) since 2003. Mr. Zong holds a Bachelor of Arts degree in Chinese literature from Nanjing University in the PRC and an EMBA degree from HEC School of Management, France. From 1982 to 1995, he worked in the Ministry of Foreign Trade and Economic Cooperation. Mr. Zong joined the China Minmetals Group in 1995. He has over twenty four years of experience in foreign trade, business management and investment.

Mr. XU Jiqing, aged 42, was appointed as a non-executive director of the Company in May 2009. He is a member of the audit committee of the Company. Mr. Xu has also served as a director of Sino Mining International Limited, a subsidiary of the Company. He is the vice president and a chief financial officer of CMN since 2007 and 2005 respectively. Mr. Xu holds a Bachelor's degree in Accounting from the University of International Business and Economics in the PRC and a Master of Business Administration degree from the Saint Mary's University in Canada. He is a qualified senior accountant in the PRC and is a member of the Certified General Accountants Association of Canada. Mr. Xu joined the China Minmetals Group in 1991. In 1997, he was the manager of finance department of Minmetals Development Co. Ltd. and was promoted to vice general manager in 1999 and subsequently became the general manager in 2000. Mr. Xu was the general manager of finance department of China National Nonferrous Metals Industry Trading Group Corporation for four months in 2001. From 2001 to 2007, he was the general manager of finance department of CMN. Mr. Xu has extensive experience in accounting and corporate financial management.

Mr. LI Liangang, aged 46, was appointed as a non-executive director of the Company in December 2009. He is the chairman of Minmetals Aluminium Company Limited and a director and the president of Sino Mining International Limited, both are the subsidiaries of the Company. Mr. Li has also served as a director of three subsidiaries of the Company. He was a non-executive director and an independent non-executive director of Sino Gold Mining Limited (a company listed on the Australian Securities Exchange ("ASX") and The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") and was delisted on ASX and the Hong Kong Stock Exchange on 16 December 2009) in July 2008 and August 2009 respectively and was subsequently resigned on 4 December 2009. Mr. Li holds a Bachelor's degree in English language from the Normal College for Foreign Language of Beijing Union University in the PRC. He joined the China Minmetals Group in 1987. Since 1993, Mr. Li had been assigned to various senior management positions with the subsidiaries of China Minmetals in the PRC, Australia, Mexico and the USA. He has extensive experience in international business and non-ferrous metals industry.

Directors and Senior Management

DIRECTORS *(cont'd)*

Non-executive Directors *(cont'd)*

Mr. XU Huizhong, aged 52, was re-designated as a non-executive director and the vice chairman of the Company in May 2008 and tendered his resignation in July 2009. He was appointed as an executive director of the Company in April 2002 and had become the president of the Company in May 2002. Mr. Xu graduated from the University of International Business and Economics in the PRC in 1979. He joined the China Minmetals Group in 1979. Mr. Xu has been a qualified economist in the PRC since 1987. Prior to joining the Group, he held senior management positions with corporations engaged in international trading and property development in the PRC, Japan, and New Zealand for over twenty four years. Mr. Xu has extensive experience in international trading, property development and investment, investment strategies and corporate management.

Mr. CUI Hushan, aged 52, was appointed as a non-executive director of the Company in June 2007 and tendered his resignation in December 2009. He has been a director and deputy general manager of Minmetals HK since 2006. Mr. Cui holds a Master's degree in Law from the Renmin University of China in the PRC and a Master of Business Administration degree from the University of Texas at Arlington in the USA. He also obtained a Certificate for Senior Economist in International Business from the Ministry of Foreign Trade and Economics Cooperation in the PRC. Mr. Cui joined the China Minmetals Group in 1988 and had been assigned to a number of departments and subsidiaries of China Minmetals. From 1998 to 2004, he was the director of each of the President Office and the Strategic Research Office of the China Minmetals Group. In 1993, Mr. Cui had an eight-month secondment to work for the National Committee of Economic Systems Reform and was involved in macro management affairs of large enterprise groups. He has extensive experience in international business and corporate planning and management.

Independent Non-executive Directors

Mr. LI Dongsheng, aged 63, was appointed as an independent non-executive director of the Company in May 2008. He is also a member of each of the audit committee and remuneration committee of the Company. Mr. Li graduated from the Beijing Foreign Studies University in the PRC. He then further his studies at the Universite De Haute Bretagne in France. Mr. Li was the Secretary and subsequently became the Commercial Counsellor of the Chinese Embassies in Algeria, Switzerland, Senegal and Mauritius respectively, the Deputy Head and subsequently became the Head of Foreign Trade Administration Bureau under Ministry of Commerce, PRC (formerly known as Ministry of Foreign Trade and Economic Cooperation, PRC) and a Vice Governor of Hainan Province, PRC. He was also a Vice Minister of the State Administration for Industry and Commerce, PRC. Mr. Li is the president of China Advertising Association, a senior advisor to China Electronic Chamber of Commerce and an advisor to China Enterprises Investment Association. He is also a member of the Organizing Committee for the 29th Olympic Games and the vice chairman of the Paris Convention on the Protection of Industrial Property.

Directors and Senior Management

DIRECTORS *(cont'd)*

Independent Non-executive Directors *(cont'd)*

Mr. TING Leung Huel, Stephen, aged 56, was appointed as an independent non-executive director of the Company in June 2002. He is the chairman of the audit committee and a member of the remuneration committee of the Company. Mr. Ting is also a non-executive director of Chow Sang Sang Holdings International Limited (a company listed on the Hong Kong Stock Exchange), and an independent non-executive director of seven other listed companies on the Hong Kong Stock Exchange namely Tong Ren Tang Technologies Company Limited, Tongda Group Holdings Limited, JLF Investment Company Limited, Computer and Technologies Holdings Limited, Texhong Textile Group Limited, Dongyue Group Limited and China SCE Property Holdings Limited. He is a member of the 9th and 10th Chinese People's Political & Consultative Conference, Fujian. Mr. Ting is an accountant in public practice. He is the managing partner of Messrs. Ting Ho Kwan & Chan, Certified Public Accountants (Practising).

Mr. LOONG Ping Kwan, aged 45, was appointed as an independent non-executive director of the Company in August 2009. He is the chairman of the remuneration committee and a member of the audit committee of the Company. Mr. Loong was an independent non-executive director of Zijin Mining Group Company Limited (a company listed on the Hong Kong Stock Exchange) in August 2003 and was subsequently resigned on 5 November 2009. He is a practicing solicitor admitted in Hong Kong. Mr. Loong graduated from the University of Hong Kong with a bachelor's degree in Art. He is an associate (life member) of the Hong Kong Institute of Bankers. Mr. Loong is a founder of Messrs. Loong and Yeung in Hong Kong. He has over twenty years of experience in corporate finance, merger and acquisition.

Mr. CHAN Wai Dune, aged 57, was appointed as an independent non-executive director of the Company in May 2002 and tendered his resignation in August 2009. He has over twenty nine years of experience in the finance sector, particularly in the areas of auditing and taxation. Mr. Chan is a certified public accountant and is a fellow member of each of the Association of Chartered Certified Accountants, the Hong Kong Institute of Certified Public Accountants and the Taxation Institute of Hong Kong. He is currently a member of CPPCC of the Guangzhou Municipal Committee and a member of the Executive Council of China Overseas Friendship Association. Mr. Chan was a member of the Selection Committee for the establishment of the First Government of the Hong Kong Special Administrative Region. He is currently the chief executive officer of Crowe Horwath (HK) CPA Limited.

Directors and Senior Management

SENIOR MANAGEMENT OF THE COMPANY

Mr. TANG Xiaojin, aged 48, was appointed as the vice president of the Company in October 2003. He is responsible for overseeing the Group's industrial investments in the PRC. Mr. Tang joined the Group in 1995 and has been the general manager of Orienmet Industry Company Limited, a subsidiary of the Company, since 1998. He has also served as a director of certain subsidiaries and associates of the Company. Mr. Tang graduated from the Faculty of Mechanical Engineering of the Southern Institute of Metallurgy, the previous Jiangxi Institute of Metallurgy, the PRC, in 1983 with a Bachelor's degree in engineering. He joined Beijing General Research Institute for Mining and Metallurgy in 1983, engaging in metallurgical research and design. In 1989, Mr. Tang joined the personnel department of the previous China National Non-ferrous Metals Industry Corporation. He has been a qualified senior engineer in the PRC since 1994. Mr. Tang has over twenty six years of experience in the non-ferrous metals industry.

Mr. CHAN Chi Kong, Morison, aged 42, was appointed as the chief financial officer of the Company in January 2008. He is responsible for the overall financial management and investors relation functions of the Group. Mr. Chan graduated from the Hong Kong Polytechnic University with a Bachelor of Arts Degree in Accountancy and obtained a Master's degree in Business Administration from the City University of Hong Kong. He is a fellow member of each of the Association of Chartered Certified Accountants, the Hong Kong Institute of Certified Public Accountants, the Institute of Chartered Secretaries and Administrators and the Hong Kong Institute of Chartered Secretaries. Mr. Chan is also a CFA charterholder of the Chartered Financial Analyst Institute. Prior to joining the Group, he held various senior finance positions with the Hong Kong Stock Exchange and other Hong Kong and overseas listed companies. Mr. Chan has extensive experience in corporate finance, auditing and financial management.

Mr. CHU Charn Fai, Daniel, aged 40, joined the Group in February 1998 and was appointed as the financial controller of the Company in August 2002. He holds a Master's degree in Corporate Finance from The Hong Kong Polytechnic University. Mr. Chu is a fellow member of the Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants. Prior to joining the Group, he worked in an international accounting firm. Mr. Chu has over seventeen years of experience in financial management and auditing.

Ms. LEUNG Suet Kam, Lucia, aged 48, is the company secretary of the Company. She joined the Group in September 1993. Ms. Leung holds a Bachelor's degree in Economics from the University of London, the United Kingdom and a Postgraduate Diploma in Corporate Administration from the City University of Hong Kong. She is a fellow member of The Institute of Chartered Secretaries and Administrators in the United Kingdom and a fellow member of the Hong Kong Institute of Chartered Secretaries. Ms. Leung has over seventeen years of experience in company secretarial affairs and over twenty years of experience in administration.

Directors and Senior Management

SENIOR MANAGEMENT OF SUBSIDIARY COMPANIES

Mr. WANG Ji, aged 49, joined the Group in October 2005. He is a director and the general manager of Minmetals Aluminium Company Limited, a subsidiary of the Company. Mr. Wang has also served as a director of certain subsidiaries of the Company. He holds a Master of Business Administration degree from the University of International Business and Economics in the PRC in 2001. Mr. Wang joined the China Minmetals Group in 1994. He has over sixteen years of experience in foreign trade and corporate management.

Mr. WANG Xiaolei, aged 39, joined the Group in October 2005. He is a director and the vice general manager of Minmetals Aluminium Company Limited, a subsidiary of the Company. Mr. Wang has also served as a director of certain subsidiaries of the Company. He is mainly responsible for sales and marketing of metal products and related work. Mr. Wang graduated from the Central University of Finance and Economics in the PRC and holds a Master's degree in National Economics. From 1993 to 1996, he worked for Liaoning Metals & Minerals Import & Export Corporation and Air China Group Import & Export Trading Company. Mr. Wang joined the China Minmetals Group in 1996. He has over fourteen years of experience in the trading of metal products.

Mr. MA Jianxiang, aged 55, joined the Group in 1998. He is the general manager of Yingkou Orienmet Plica Tube Company Limited ("YOPT"), a subsidiary of the Company. Mr. Ma obtained his Bachelor's degree in Ferrous Metal Refining from Shenyang North Eastern University in the PRC in 1978. He joined 營口無線電機械廠 (Yingkou Wireless Machinery Factory) in 1978 and was subsequently promoted as the general manager. From 1994 to 1998, Mr. Ma was the general manager of 遼寧無線電三廠 (Liaoning Wireless No. 3 Factory). He has been the general manager of YOPT since 1998. Mr. Ma has extensive experience in marketing, production and corporate management.

Directors' Report

The board of directors (the "Board") of Minmetals Resources Limited (the "Company") has pleasure in presenting the annual report together with the audited financial statements of the Company and its subsidiaries (the "Group") for the year ended 31 December 2009.

PRINCIPAL ACTIVITIES

The Company is principally engaged in investment holding. The activities of its subsidiaries, jointly-controlled companies and associates are principally engaged in the trading of non-ferrous metals, the production of alumina and the manufacturing and distribution of aluminium and copper products, details of which are set out in Notes 20 to 22 to the consolidated financial statements.

An analysis of the Group's revenue for the year ended 31 December 2009 by reportable segments, together with their respective contributions to profit from operations is set out in Note 5 to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, sales to the five largest customers in aggregate accounted for less than 30% of the total sales of the Group. Purchases from the largest supplier and the five largest suppliers of the Group in aggregate accounted for 20% and 62% of the total purchases of the Group respectively during the year.

Save that China Minmetals Corporation, the ultimate controlling shareholder of the Company, has an interest of 29.9% in one of the five largest suppliers, none of the directors or any of their associates or any shareholders of the Company (which to the knowledge of the directors owned more than 5% of the Company's share capital) had any beneficial interest in any of the five largest customers or suppliers of the Group.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2009 are set out in the consolidated income statement on page 50.

No interim dividend was declared during the year (2008: Nil). The Board does not recommend the payment of a final dividend for the year ended 31 December 2009 (2008: Nil).

RESERVES

Movements in reserves of the Company and the Group during the year are set out in Note 32 to the consolidated financial statements.

Directors' Report

DISTRIBUTABLE RESERVES

Details of the distributable reserves of the Company as at 31 December 2009 are set out in Note 32 to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Movements in property, plant and equipment during the year are set out in Note 15 to the consolidated financial statements.

BANK BORROWINGS

Particulars of bank borrowings of the Group as at 31 December 2009 are set out in Note 34 to the consolidated financial statements.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on pages 141 to 142 of this annual report.

SHARE CAPITAL

Details of the movements in the share capital of the Company are set out in Note 31 to the consolidated financial statements.

DONATIONS

Donations made by the Group during the year for charitable and community purposes amounted to approximately HK$65,000 (2008: HK$1,469,000).

Directors' Report

DIRECTORS

The directors of the Company who held office during the year and up to the date of this report are as follows:

Chairman

Mr. Zhou Zhongshu *(non-executive director)*	(Resigned on 1 July 2009)
Mr. Li Fuli *(non-executive director)*	(Appointed as a non-executive director on 25 May 2009 and re-designated as a non-executive director and the chairman on 1 July 2009)

Executive Directors

Mr. Hao Chuanfu	
Mr. Ren Suotang	(Resigned on 1 November 2009)
Mr. Zhan Wei	(Appointed on 1 November 2009)

Non-executive Directors

Mr. Xu Huizhong	(Resigned as a non-executive director and the vice chairman on 1 July 2009)
Ms. Shen Ling	
Mr. Wang Lixin	(Re-designated as a non-executive director and the vice chairman on 1 July 2009 and resigned as the vice chairman on 7 December 2009 but remains as a non-executive director)
Mr. Zong Qingsheng	
Mr. Cui Hushan	(Resigned on 7 December 2009)
Mr. Xu Jiqing	(Appointed on 25 May 2009)
Mr. Li Liangang	(Appointed on 7 December 2009)

Independent Non-executive Directors

Mr. Li Dongsheng	
Mr. Chan Wai Dune	(Resigned on 18 August 2009)
Mr. Ting Leung Huel, Stephen	
Mr. Loong Ping Kwan	(Appointed on 18 August 2009)

Mr. Li Fuli and Mr. Xu Jiqing were elected as non-executive directors of the Company at the annual general meeting of the Company held on 25 May 2009.

Mr. Loong Ping Kwan, Mr. Zhan Wei and Mr. Li Liangang were appointed by the Board to fill a causal vacancy of the Board on 18 August 2009, 1 November 2009 and 7 December 2009 respectively, will retire at the forthcoming annual general meeting of the Company in accordance with article 85 of the articles of association of the Company and, being eligible, offer themselves for re-election.

Directors' Report

DIRECTORS *(cont'd)*

In accordance with article 101 of the articles of association of the Company, Ms. Shen Ling, Mr. Wang Lixin and Mr. Zong Qingsheng will retire by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting of the Company.

The Company has received from each of the independent non-executive directors of the Company an annual confirmation of his independence pursuant to Rule 3.13 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and considers them to be independent.

DIRECTORS' SERVICE CONTRACTS

No directors proposed for re-election at the forthcoming annual general meeting of the Company has an unexpired service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than normal statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contracts of significance to which the Company, any of its holding companies, or any of their subsidiaries was a party, in which a director of the Company had a material interest, subsisted at the end of the year or at any time during the year.

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

As at 31 December 2009, 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 had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), or which were required to be entered in the register required to be kept pursuant to Section 352 of the SFO or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules. In addition, none of the directors or the chief executive of the Company or any of their associates 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) during the year ended 31 December 2009.

Directors' Report

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year ended 31 December 2009, the interests of directors of the Company in a business which competes or is likely to compete with the businesses of the Group, as defined in the Listing Rules, are as follows:

1. Mr. Li Fuli, a non-executive director and the chairman of the Company, is the chairman of Shanxi Guanlu Co. Ltd. ("Shanxi Guanlu"); and

2. Mr. Wang Lixin, a non-executive director of the Company, is a director of Shanxi Guanlu. He resigned as a director of Shanxi Guanlu in December 2009.

The Group together with its jointly-controlled companies are principally engaged in trading of alumina and aluminium ingots, upstream alumina production and downstream aluminium fabrication while Shanxi Guanlu is principally engaged in middle stream aluminium smelting. Although the Group together with its jointly-controlled companies and Shanxi Guanlu are both involved in businesses which are related to aluminium, there is a delineation in the nature and scope of businesses. In addition, the Company and Shanxi Guanlu are separate listed entities operated by separate and independent management, the Company is therefore capable of carrying on its business independently of, and at arm's length from, Shanxi Guanlu.

SHARE OPTION SCHEME

2004 Share Option Scheme

Pursuant to the share option scheme adopted by the Company on 28 May 2004 (the "2004 Share Option Scheme"), the exercise period for the 18,600,000 outstanding options had expired on 17 April 2009 and no outstanding options had been exercised prior to that date.

The following is a summary of the principal terms of the 2004 Share Option Scheme:

1. Purpose

To recognise and acknowledge the contributions that the eligible persons had made or may from time to time make to the Group whether in the past or in the future.

2. Participants

Any directors or any employees of any company of the Group and any advisers of, consultants of, contractors to any company of the Group or any person who has any relationship (whether business or otherwise) with any company of the Group or any person whom the Board of the Company considers, in its sole discretion, appropriate.

Directors' Report

SHARE OPTION SCHEME *(cont'd)*

2004 Share Option Scheme *(cont'd)*

3. Total number of shares available for issue under the 2004 Share Option Scheme

The total number of shares available for issue under the 2004 Share Option Scheme is 57,834,961 shares, representing approximately 2.85% of the issued share capital of the Company as at the date of this report.

4. Maximum entitlement of each participant

No option may be granted to any eligible person which, if exercised in full, would result in the total number of shares issued and to be issued upon exercise of the options already granted and to be granted to such eligible person under the 2004 Share Option Scheme (including exercised, cancelled and outstanding options) in the 12-month period up to and including the date of such new grant exceeding 1% of the issued share capital of the Company as at the date of such new grant. Any grant of further options above this limit shall be subject to the requirements under the Listing Rules.

5. Period within which the shares must be taken up under an option

The Board of the Company may in its absolute discretion determines the period during which an option may be exercised, save that such period shall not be more than ten years from the date on which such option is deemed to have been granted and accepted subject to the provisions for early termination thereof.

6. Minimum period for which an option must be held before it can be exercised

There is no general requirement on the minimum period for which an option must be held under the terms of the 2004 Share Option Scheme. However, the Board of the Company may determine in its absolute discretion in relation to the minimum period of the options to be held.

7. Time of acceptance and the amount payable on acceptance of the option

An offer of an option may be accepted within 28 business days (or such shorter period as the Board of the Company shall determine) from the date of such offer and the amount payable on acceptance of such offer is HK$10.00.

Directors' Report

SHARE OPTION SCHEME *(cont'd)*

2004 Share Option Scheme *(cont'd)*

8. Basis of determining the exercise price

The exercise price shall be determined by the Board of the Company at the time of grant of the relevant option and shall not be less than the highest of:

(i) the closing price per share of the Company as stated in the Stock Exchange's daily quotations sheet on the date of grant of the relevant option;

(ii) an amount equivalent to the average closing price per share of the Company as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant of the relevant option; and

(iii) the nominal value of a share of the Company.

9. The remaining life of the 2004 Share Option Scheme

The 2004 Share Option Scheme will remain in force until 27 May 2014.

During the year ended 31 December 2009, the movements of the options which have been granted under the 2004 Share Option Scheme are as follows:

				Number of options					
Category and name of participant	Date of grant	Exercise price per share *HK$*	Exercise period	Balance as at 1 January 2009	Granted during the year	Exercised during the year	Cancelled during the year	Lapsed during the year	Balance as at 31 December 2009
Directors									
Zhou Zhongshu	18 April 2006 *(Note 1)*	2.725	18 April 2006 to 17 April 2009	3,000,000	–	–	–	(3,000,000) *(Note 2)*	–
Xu Huizhong	18 April 2006 *(Note 1)*	2.725	18 April 2006 to 17 April 2009	2,600,000	–	–	–	(2,600,000) *(Note 2)*	–
Shen Ling	18 April 2006 *(Note 1)*	2.725	18 April 2006 to 17 April 2009	1,500,000	–	–	–	(1,500,000) *(Note 2)*	–
Zong Qingsheng	18 April 2006 *(Note 1)*	2.725	18 April 2006 to 17 April 2009	1,500,000	–	–	–	(1,500,000) *(Note 2)*	–
Wang Lixin	18 April 2006 *(Note 1)*	2.725	18 April 2006 to 17 April 2009	2,000,000	–	–	–	(2,000,000) *(Note 2)*	–
Employees of the Group	18 April 2006 *(Note 1)*	2.725	18 April 2006 to 17 April 2009	8,000,000	–	–	–	(8,000,000) *(Note 2)*	–
				18,600,000	–	–	–	(18,600,000)	–

Directors' Report

SHARE OPTION SCHEME *(cont'd)*

2004 Share Option Scheme *(cont'd)*

Notes:

1. 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.

2. Options were lapsed due to expiry of the exercise period.

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

So far as is known to the directors and chief executive of the Company, as at 31 December 2009, the following persons had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, which were recorded in the register required to be kept by the Company under Section 336 of the SFO:

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	63.39%
China Minmetals Non-ferrous Metals Company Limited ("CMN")	Interest of controlled corporation *(Note 2)*	1,239,467,826	61.17%
Top Create Resources Limited ("Top Create")	Beneficial owner *(Note 2)*	1,239,467,826	61.17%

Directors' Report

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. 2,026,216,799 shares) of the Company as at 31 December 2009.

2. Top Create is a wholly owned subsidiary of CMN which in turn is owned as to approximately 90.27% by China Minmetals. Accordingly, CMN and China Minmetals were by virtue of the SFO deemed to be interested in the 1,239,467,826 shares of HK$0.05 each of the Company held by Top Create as at 31 December 2009.

3. The interest in 1,284,467,826 shares of the Company held by China Minmetals also includes an interest in 45,000,000 shares of the Company held by Coppermine Resources Limited ("Coppermine"), representing approximately 2.22% in the issued shares capital of the Company as at 31 December 2009. Coppermine is a wholly owned subsidiary of China Minmetals H.K. (Holdings) Limited which in turn is a wholly owned subsidiary of China Minmetals. China Minmetals was therefore deemed, by virtue of the SFO, to have an interest in the shares in which Coppermine was interested.

Save as disclosed above, as at 31 December 2009, there were no other person who was recorded in the register of the Company as having an interest or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

CONNECTED TRANSACTIONS

During the year ended 31 December 2009, the Group had the following connected transactions, details of which are set out below:

1. During the period from 1 January 2009 to 30 November 2009, Minmetals Aluminium Company Limited ("Minmetals Aluminium"), a wholly owned subsidiary of the Company, entered into transactions with Guangxi Huayin Aluminium Company Limited ("Guangxi Huayin") for the purchase of alumina amounted to approximately RMB582,288,000 (equivalent to approximately HK$663,808,000) (the "2009 Minmetals Aluminium Connected Transactions").

2. On 21 April 2009 and 7 August 2009, Minmetals Aluminium injected additional capital in the amount of RMB17,000,700 (equivalent to approximately HK$19,381,000) respectively into Guangxi Huayin, totaling approximately RMB34,001,000 (equivalent to approximately HK$38,762,000) (the "Guanxi Huayin Capital Injection").

Directors' Report

CONNECTED TRANSACTIONS *(cont'd)*

3. On 18 March 2008, Zhuoshen Nonferrous Metals Plant & Equipment Co. Ltd. ("Zhuoshen"), a non-wholly owned subsidiary of North China Aluminium Company Limited ("NCA") which in turn is a non-wholly owned subsidiary of the Company, entered into an agreement with Ershisanye Construction Group Co., Ltd. ("Ershisanye") pursuant to which Zhuoshen agreed to engage Ershisanye as the contractor for a construction project ("Zhuoshen Construction Agreement"). The contract sum under the Zhuoshen Construction Agreement is approximately RMB8,938,000 (equivalent to approximately HK$10,190,000), subject to adjustment(s) (the "Adjustments") relating to (i) significant deviation in the costs of certain construction materials and (ii) actual construction works agreed by both parties. The amount paid/payable for the Adjustments for the year ended 31 December 2009 is approximately RMB2,400,000 (equivalent to approximately HK$2,736,000) and the actual aggregate sum paid under the Zhuoshen Construction Agreement up to 31 December 2009 is approximately RMB12,779,000 (equivalent to approximately HK$14,360,000).

Guangxi Huayin is owned as to 33% by Aluminium Corporation of China Limited ("Chalco") which in turn is owned as to over 30% by Aluminium Corporation of China ("Chinalco"). Chinalco is a substantial shareholder of a non-wholly owned subsidiary of the Company and is a connected person of the Company under the Listing Rules. As such, Guangxi Huayin is an associate of Chalco and Chinalco respectively under the Listing Rules and hence a connected person of the Company. Accordingly, the 2009 Minmetals Aluminium Connected Transactions and the Gunagxi Huayin Capital Injection constitute connected transactions for the Company respectively under Chapter 14A of the Listing Rules.

Ershisanye is an associate of China Minmetals, the controlling shareholder of the Company, and therefore is a connected person of the Company under the Listing Rules. Accordingly, Zhuoshen Construction Agreement constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS

During the year ended 31 December 2009, the Group had the following continuing connected transactions, details of which are set out below:

1. On 1 December 2009, Minmetals Aluminium entered into a sale and purchase agreement (the "Minmetals Aluminium Sale and Purchase Agreement") with Guangxi Huayin in relation to the purchase of alumina from Guangxi Huayin for the period from 1 December 2009 to 31 December 2012. The proposed annual cap for the transactions for the one month ended 31 December 2009 was RMB132,000,000 (equivalent to approximately HK$150,480,000). During the one month ended 31 December 2009, the total amount paid/payable by Minmetals Aluminium under the Minmetals Aluminium Sale and Purchase Agreement was approximately RMB103,106,000 (equivalent to approximately HK$117,541,000).

Directors' Report

CONTINUING CONNECTED TRANSACTIONS *(cont'd)*

2. On 31 October 2008, Minmetals Aluminium entered into a logistics services agreement with China Minmetals Logistics Group Co., Ltd., ("Minmetals Logistics") (the "2008 Minmetals Aluminium Master Agreement") pursuant to which Minmetals Logistics agreed to provide shipping, customs clearance, unloading, packaging and custody services (the "Services") to Minmetals Aluminium for a term of two years and three months commencing from 1 October 2008 till 31 December 2010. The proposed annual cap for the Services for the year ended 31 December 2009 payable under the 2008 Minmetals Aluminium Master Agreement was RMB9,000,000 (equivalent to approximately HK$10,260,000). During the year ended 31 December 2009, the total amount paid/payable by Minmetals Aluminium for the Services under the 2008 Minmetals Aluminium Master Agreement was approximately RMB589,000 (equivalent to approximately HK$671,000).

3. On 31 October 2008, NCA entered into a logistics services agreement with Minmetals Logistics & Forwarding Tianjian Company Limited ("Minmetals Tianjian") (the "2008 NCA Master Agreement") pursuant to which Minmetals Tianjian agreed to provide Services to NCA for the a term of two years and three months commencing from 1 October 2008 till 31 December 2010. The proposed annual cap for the Services for the year ended 31 December 2009 payable under the 2008 NCA Master Agreement was RMB5,000,000 (equivalent to approximately HK$5,700,000). During the year ended 31 December 2009, the total amount paid/payable by NCA for the Services under the 2008 NCA Master Agreement was approximately RMB278,000 (equivalent to approximately HK$317,000).

Guangxi Huayin is owned as to 33% by Chalco which in turn is owned as to over 30% by Chinalco. Chinalco is a substantial shareholder of a non-wholly owned subsidiary of the Company and is a connected person of the Company under the Listing Rules. As such, Guangxi Huayin is an associate of Chalco and Chinalco respectively under the Listing Rules and hence a connected person of the Company. Accordingly, the Minmetals Aluminium Sale and Purchase Agreement constitutes a continuing connected transaction for the Company under Chapter 14A of the Listing Rules.

Each of Minmetals Logistics and Minmetals Tianjin is an associate of China Minmetals, the controlling shareholder of the Company, and therefore is the connected person of the Company under the Listing Rules. Accordingly, the 2008 Minmetals Aluminium Master Agreement and the 2008 NCA Master Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

Directors' Report

CONTINUING CONNECTED TRANSACTIONS *(cont'd)*

The above continuing connected transactions for the year ended 31 December 2009 have been reviewed by the independent non-executive directors of the Company and confirmed that the continuing connected transactions have been entered into:

(a) in the ordinary and usual course of business of the Group;

(b) either on normal commercial terms or on terms no less favorable to the Group than terms available to or from independent third parties; and

(c) in accordance with the terms of the Minmetals Aluminium Sale and Purchase Agreement, the 2008 Minmetals Aluminium Master Agreement and the 2008 NCA Master Agreement that are fair and reasonable and in the interests of the shareholders of the Group as a whole.

In addition, the auditor of the Company have performed certain agreed-upon procedures on the above continuing connected transactions and confirmed that:

(a) the transactions have been approved by the Board;

(b) the transactions have been entered into in accordance with the terms of the Minmetals Aluminium Sale and Purchase Agreement, the 2008 Minmetals Aluminium Master Agreement and the 2008 NCA Master Agreement; and

(c) the transactions in relation to the Minmetals Aluminium Sale and Purchase Agreement, the 2008 Minmetals Aluminium Master Agreement and the 2008 NCA Master Agreement have not exceeded the respective annual caps as disclosed in the announcements of the Company dated 4 December 2009, 6 November 2008 and 6 November 2008 respectively.

RELATED PARTY TRANSACTIONS

Details of the related party transactions undertaken in the normal course of business are set out in Note 42 to the consolidated financial statements. In relation to those related party transactions that also constituted connected transactions and continuing connected transactions of the Company under the Listing Rules, the Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

Directors' Report

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

During the year ended 31 December 2009, the Company repurchased a total of 2,088,000 ordinary shares of HK$0.05 each of the Company on the Stock Exchange. The repurchases were effected by the Board for the enhancement of long-term shareholder value. Details of the repurchases are set out in Note 31 to the consolidated financial statements.

The 2,088,000 shares repurchased during the year ended 31 December 2009 and the 800,000 shares repurchased during the year ended 31 December 2008 were cancelled in the current year. The premium paid and expenses incurred in relation to all the shares cancelled during the year ended 31 December 2009 amounting to approximately HK$3,016,000 and HK$30,000 respectively, were deducted from the retained profits.

Save as disclosed above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2009.

EMOLUMENT POLICY

The Group's emolument policy is formulated by the Remuneration Committee on the basis of employees' merit, qualifications and competence.

The determination of remuneration packages of the directors of the Company takes into consideration on factors such as salaries paid by comparable companies, time commitment and responsibilities of the directors, employment conditions elsewhere in the Group and desirability of performance-based remuneration.

The Company has adopted share option scheme as an incentive to the directors and eligible employees, details of the scheme are set out under the section headed "Share Option Scheme".

RETIREMENT SCHEMES

Details of the Group's retirement schemes are set out in Note 37 to the consolidated financial statements.

DIRECTORS AND SENIOR MANAGEMENT

Particulars of the directors and senior management of the Company are set out on pages 18 to 24 of this annual report.

Directors' Report

AUDITOR

The consolidated financial statements have been audited by PricewaterhouseCoopers who will retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-appointment.

CORPORATE GOVERNANCE REPORT

Details of the Corporate Governance Report are set out on pages 39 to 47 of this annual report.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of its Board, as at the latest practicable date prior to the printing of this report, the Company has maintained sufficient public float of not less than 25% of the Company's issued shares as required under the Listing Rules.

EVENT AFTER THE BALANCE SHEET DATE

Details of the event after the balance sheet date are set out in Note 43 to the consolidated financial statements.

By order of the Board
LI Fuli
Chairman

Hong Kong, 29 March 2010

Corporate Governance Report

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 controls, transparency and accountability to all the shareholders of the Company.

The Company has complied with all the code provisions set out in the Code of Corporate Governance Practice (the "CG Code") in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited throughout the year ended 31 December 2009 except for the deviation from code provision E.1.2 with explanation below.

DIRECTORS' SECURITIES TRANSACTIONS

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 (the "Directors" or individually the "Director"), 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 year ended 31 December 2009.

BOARD OF DIRECTORS

Composition

The board of directors (the "Board") of the Company comprises eleven Directors of which two are executive Directors, six are non-executive Directors and three are independent non-executive Directors. The members of the Board as at the date of this annual report are as follows:

Executive Directors

Mr. Hao Chuanfu
Mr. Zhan Wei

Non-executive Directors

Mr. Li Fuli *(Chairman)*
Ms. Shen Ling
Mr. Wang Lixin
Mr. Zong Qingsheng
Mr. Xu Jiqing
Mr. Li Liangang

Independent Non-executive Directors

Mr. Li Dongsheng
Mr. Ting Leung Huel, Stephen
Mr. Loong Ping Kwan

Corporate Governance Report

BOARD OF DIRECTORS *(cont'd)*

Composition *(cont'd)*

The Board formulates overall strategies and policies of the Group. It also ensures the availability of adequate capital and managerial resources to implement the strategies adopted, the adequacy of systems of financial and internal control and the conduct of business in conformity with applicable laws and regulations. The Board members are fully committed to their roles and have always acted in the best interests of the Group and its shareholders at all times. There is no financial, business, family or other material/relevant relationship amongst Directors. The Directors' biographical information is set out on pages 18 to 24 under the section headed "Directors and Senior Management" of this annual report.

Board meetings are held regularly at approximately quarterly intervals and also held on ad hoc basis as required by business needs. Regular Board meetings and ad hoc Board meetings are attended by a majority of the directors in person or through other electronic means of communication. In addition, special Board meetings are convened from time to time for the Board to discuss issues that require the Board's timely attention. Since the special Board meetings are concerned with the day-to-day management of the Company which often requires prompt decisions, usually only the executive Directors and senior management attend the meetings. During the year ended 31 December 2009, other than resolutions passed in writing by all the Directors, the Board held a total of five regular and ad hoc Board meetings and a total of two special Board meetings.

The attendance of each member at the Board meetings is set out below. Figure in brackets indicates maximum number of meetings held in the period in which the individual was a Board member.

Directors	*Notes*	**Number of regular and ad hoc Board meetings attended**	**Number of special Board meetings attended**
Executive Directors			
Mr. Hao Chuanfu	*(i)*	4/(5)	2/(2)
Mr. Ren Suotang	*(ii)*	3/(3)	2/(2)
Mr. Zhan Wei	*(i) & (iii)*	1/(2)	
Non-executive Directors			
Mr. Zhou Zhongshu	*(iv)*	1/(1)	
Mr. Li Fuli *(Chairman)*	*(v)*	4/(4)	
Mr. Xu Huizhong	*(vi)*	1/(1)	
Ms. Shen Ling		5/(5)	
Mr. Wang Lixin	*(vii)*	5/(5)	
Mr. Zong Qingsheng		5/(5)	
Mr. Cui Hushan	*(viii)*	3/(3)	
Mr. Xu Jiqing	*(ix)*	4/(4)	
Mr. Li Liangang	*(x)*	2/(2)	
Independent Non-executive Directors			
Mr. Li Dongsheng		5/(5)	
Mr. Chan Wai Dune	*(xi)*	2/(2)	
Mr. Ting Leung Huel, Stephen		5/(5)	
Mr. Loong Ping Kwan	*(xii)*	3/(3)	

Corporate Governance Report

BOARD OF DIRECTORS *(cont'd)*

Composition *(cont'd)*

Notes:

(i) In order to comply with the Recommended Best Practices A.2.7 set out in the CG Code, the chairman of the Board held one meeting during the year with the non-executive Directors (including independent non-executive Directors) without the present of the executive Directors.

(ii) Resigned as an executive Director and the vice president on 1 November 2009.

(iii) Appointed as an executive Director and the vice president on 1 November 2009.

(iv) Resigned as a non-executive Director and the chairman on 1 July 2009.

(v) Appointed as a non-executive Director on 25 May 2009 and was re-designated as a non-executive Director and the chairman on 1 July 2009.

(vi) Resigned as a non-executive Director and the vice chairman on 1 July 2009.

(vii) Re-designated as a non-executive Director and the vice chairman on 1 July 2009 and resigned as the vice chairman on 7 December 2009 but remains as a non-executive Director.

(viii) Resigned as a non-executive Director on 7 December 2009.

(ix) Appointed as a non-executive Director on 25 May 2009.

(x) Appointed as a non-executive Director on 7 December 2009.

(xi) Resigned as an independent non-executive Director on 18 August 2009.

(xii) Appointed as an independent non-executive Director on 18 August 2009.

Chairman of the Board and Chief Executive Officer

The chairman of the Board is Mr. Li Fuli and the chief executive officer (or president, in the case of the Company) of the Company is Mr. Hao Chuanfu. The roles of the chairman of the Board and the president of the Company are segregated to ensure their respective independence, accountability and responsibility.

The chairman takes the lead in formulating overall strategies and policies of the Group; ensures the effective performance by the Board of its functions, including compliance with good corporate governance practices and encourages and facilitates active contribution of Directors in Board activities. The chairman also ensures that all Directors are properly briefed on issues arising at Board meetings and have received adequate, complete and reliable information in a timely manner.

Corporate Governance Report

BOARD OF DIRECTORS *(cont'd)*

Chairman of the Board and Chief Executive Officer *(cont'd)*

Under code provision E.1.2 of the CG Code, the chairman of the Board should attend the annual general meeting. Mr. Zhou Zhongshu, the former chairman of the Board, had not attended the annual general meeting of the Company held on 25 May 2009 due to ad hoc business commitment. Accordingly, Mr. Hao Chuanfu, the executive director and president of the Company, took the chair of the said meeting.

The president, supported by other Board members and senior management, is responsible for managing day-to-day business of the Group. He is also accountable to the Board for the implementation of the Group's overall strategies, and coordination of overall business operations.

Executive Directors

The executive Directors are responsible for running the Group and executing the strategies adopted by the Board. They lead the Group's management team in accordance with the directions set by the Board and are responsible for ensuring that proper internal control system is in place and the Group's business conforms to applicable laws and regulations.

Non-executive Directors

The non-executive Directors provide a wide range of expertise and experience and bring independence judgment on issues relating to the Group's strategies, development, performance and risk management through their contribution at Board and committee meetings.

Independent Non-executive Directors

The independent non-executive Directors serve the important function of ensuring and monitoring the basis for an effective corporate governance framework. Their participation provides adequate checks and balances to safeguard the interests of the Group and its shareholders. The Board consists of three independent non-executive Directors and one of them have appropriate professional qualifications or accounting or related financial management expertise. The Board confirms that the Company has received from each of the independent non-executive Directors a confirmation of independence for the year ended 31 December 2009 pursuant to Rule 3.13 of the Listing Rules and considers such directors to be independent.

Nomination of Directors

The Company does not have a nomination committee. The Board is empowered under the Company's articles of association to appoint any person as a director either to fill a casual vacancy or as an addition to the Board. Qualified candidates will be proposed to the Board for consideration and the selection criteria are mainly based on the assessment of their qualifications, experience and expertise as well as the requirements under the Listing Rules. The Board selects and recommends candidates for directorship having regard to the balance of skills and experience appropriate to the Group's business.

Corporate Governance Report

BOARD OF DIRECTORS *(cont'd)*

Nomination of Directors *(cont'd)*

During the year, a total of four meetings were held by the Board to discuss and recommend the nomination of one executive director namely, Mr. Zhan Wei, three non-executive directors namely, Mr. Li Fuli, Mr. Xu Jiqing and Mr. Li Liangang and one independent non-executive director namely, Mr. Loong Ping Kwan. All of them are nominated in order to fill the casual vacancies of the Board. Mr. Li Fuli and Mr. Xu Jiqing were elected as directors by the shareholders at the annual general meeting of the Company held on 25 May 2009. Mr. Zhan Wei, Mr. Li Liangang and Mr. Loong Ping Kwan, who were appointed subsequent to the aforesaid annual general meeting, will retire at the forthcoming annual general meeting of the Company pursuant to article 85 of the articles of association of the Company, and, being eligible, offer themselves for re-election.

Re-election of Directors

Each of the non-executive Directors has entered into a service agreement with the Company for a term of three years. In accordance with the articles of association of the Company, all Directors appointed by the Board shall be subject to re-election by shareholders at the next general meeting (in case of filling a casual vacancy) or until the next annual general meeting (in case of an addition to the Board) following their appointment and thereafter every director shall be subject to retirement by rotation at least once every three years at the annual general meetings.

THE BOARD COMMITTEES

Remuneration Committee

The Company has established a remuneration committee on 11 April 2005. The remuneration committee comprises five members, a majority of whom are independent non-executive directors, and is chaired by Mr. Loong Ping Kwan. The other members are Mr. Li Fuli, Mr. Li Dongsheng, Mr. Hao Chuanfu and Mr. Ting Leung Huel, Stephen.

The remuneration committee is responsible for formulating and making recommendations to the Board on the Group's remuneration policy, the determination of specific remuneration packages of all executive directors and senior management and making recommendations to the Board the remuneration of non-executive Directors. It takes into consideration on factors such as salaries paid by comparable companies, time commitment and responsibilities of Directors and senior management, employment conditions elsewhere in the Group and desirability of performance-base remuneration. The terms of reference of the remuneration committee which have been adopted by the Board are posted on the Company's website.

Corporate Governance Report

THE BOARD COMMITTEES *(cont'd)*

Remuneration Committee *(cont'd)*

During the year ended 31 December 2009, other than resolutions passed in writing by all the committee members, the remuneration committee held two meetings. The remuneration committee reviewed the remuneration policy of the Company and the remuneration of Directors and senior management and made recommendations to the Board.

The attendance of each member at the remuneration committee meetings is set out below. Figure in brackets indicates maximum number of meetings held in the period in which the individual was a member of the remuneration committee.

Members	*Notes*	**Number of meetings attended**
Executive Director		
Mr. Hao Chuanfu		2/(2)
Non-executive Directors		
Mr. Zhou Zhongshu	*(i)*	0/(0)
Mr. Li Fuli	*(ii)*	2/(2)
Independent Non-executive Directors		
Mr. Li Dongsheng		2/(2)
Mr. Chan Wai Dune	*(iii)*	1/(1)
Mr. Ting Leung Huel, Stephen		2/(2)
Mr. Loong Ping Kwan *(Chairman)*	*(iv)*	1/(1)

Notes:

(i) Resigned as a member of the remuneration committee on 1 July 2009.

(ii) Appointed as a member of the remuneration committee on 1 July 2009.

(iii) Resigned as the chairman of the remuneration committee on 18 August 2009.

(iv) Appointed as the chairman of the remuneration committee on 18 August 2009.

Corporate Governance Report

THE BOARD COMMITTEES *(cont'd)*

Audit Committee

The Company has established an audit committee on 2 July 1999. The audit committee comprises three independent non-executive Directors, namely Mr. Li Dongsheng, Mr. Ting Leung Huel, Stephen and Mr. Loong Ping Kwan and two non-executive Directors, namely Mr. Zong Qingsheng and Mr. Xu Jiqing. Mr. Ting Leung Huel, Stephen is the chairman of the audit committee.

The audit committee is accountable to the Board and the principle duties of the audit committee include the review and supervision of the financial reporting process and internal control system of the Group. The terms of reference of the audit committee incorporating all the duties set out in code provision C.3.3 of the CG Code are posted on the Company's website.

During the year ended 31 December 2009, the audit committee held two meetings. The audit committee reviewed with the senior management and auditor of the Company the accounting policies and practices adopted by the Group and discussed auditing, the internal control system and financial reporting matters. It also reviewed the financial statements of the Company and the Company's annual and interim reports, the management letter from the auditor of the Company, the connected transactions and the continuing connected transactions entered into by the Group and the audit scope and fees for the year ended 31 December 2009.

The attendance of each member at the audit committee meetings is set out below. Figure in brackets indicates maximum number of meetings held in the period in which the individual was a member of the audit committee.

Members	*Notes*	**Number of meetings attended**
Non-executive Directors		
Mr. Zong Qingsheng		2/(2)
Mr. Xu Jiqing	*(i)*	1/(1)
Independent Non-executive Directors		
Mr. Li Dongsheng		2/(2)
Mr. Chan Wai Dune	*(ii)*	1/(1)
Mr. Ting Leung Huel, Stephen *(Chairman)*		2/(2)
Mr. Loong Ping Kwan	*(iii)*	1/(1)

Notes:

(i) Appointed as a member of the Audit committee on 16 July 2009.

(ii) Resigned as a member of the Audit committee on 18 August 2009.

(iii) Appointed as a member of the Audit committee on 18 August 2009.

Corporate Governance Report

ACCOUNTABILITY AND AUDIT

Financial Reporting

The Directors acknowledge their responsibility for preparing all information and representations contained in the financial statements for the year ended 31 December 2009 as disclosed in this annual report. The Directors consider that the financial statements have been prepared in conformity with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance, and reflect amounts that are based on the best estimates and reasonable, informed and prudent judgment of the Board and management with an appropriate consideration to materiality. As at 31 December 2009, the Directors, having made appropriate enquiries, are not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Group's and the Company's ability to continue as a going concern. Accordingly, the Directors have prepared the financial statements on a going concern basis.

The statement of the auditor of the Company regarding their responsibilities on the financial statements is set out in the Independent Auditor's Report on pages 48 to 49 of this annual report.

Internal Controls

The Board is entrusted with overall responsibility for establishing and maintaining the Group's internal control system and reviewing its effectiveness to safeguard the Group's assets and to protect shareholders' interest. The management throughout the Group maintains and monitors the internal control system on an ongoing basis. During the year, the Group engaged an international independent external professional consultant (the "Consultant"), to perform the internal control review. The review was based on the internal control framework recommended by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), a globally recognised framework. The internal control review covered certain key operational and financial processes of the selected entities of the Group and a follow up review of the action plans to address the findings from last year's review. The Consultant reported his findings and recommendations directly to the audit committee. The audit committee reported the findings to the Board.

Auditor's Remuneration

An analysis of the remuneration of the Company's auditor, PricewaterhouseCoopers, for the year ended 31 December 2009 is set out as follows:

Services rendered	**Fee paid/ payable** *HK$'000*
Audit services	3,100
Non-audit services	
Other services (including taxation services)	163
	3,263

Corporate Governance Report

COMMUNICATION WITH SHAREHOLDERS

The Company endeavours to develop and maintain continuing relationships and effective communications with its shareholders and investors. In an effort to facilitate and enhance the relationships and communication, the Company has established the following various channels:

1. the annual general meeting provides a forum for shareholders of the Company to raise comments and exchange views with the Board. The Directors are available at the annual general meetings of the Company to address shareholders' queries;

2. separate resolutions are proposed at the general meetings on each substantially separate issue;

3. An explanation of the detailed procedures of conducting a poll will be provided to shareholders at the commencement of the general meetings, to ensure that shareholders are familiar with such procedures;

4. interim and annual results are announced as early as possible, to keep shareholders of the Company informed of the Group's performance and operations;

5. updated key information of the Group is available on the Company's website to enable the shareholders of the Company and the investors to have timely access to information about the Group; and

6. Notice of meeting will be sent to shareholders at least 20 clear business days before annual general meetings and at least 10 clear business days before extraordinary general meetings.

Independent Auditor's Report

PRICEWATERHOUSECOOPERS

羅兵咸永道會計師事務所

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TO THE SHAREHOLDERS OF
MINMETALS RESOURCES LIMITED
(Incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of Minmetals Resources Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 50 to 140, which comprise the consolidated and company balance sheets as at 31 December 2009, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, and the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 141 of the Hong Kong Companies Ordinance and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

Independent Auditor's Report

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2009 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 29 March 2010

Consolidated Income Statement

	Note	Year ended 31 December 2009 HK$'000	2008 HK$'000
Revenue	5	**6,215,828**	8,450,300
Cost of sales		**(5,976,230)**	(8,114,099)
Gross profit		**239,598**	336,201
Selling expenses		**(75,500)**	(107,260)
Administrative expenses		**(162,242)**	(190,690)
Other income	6	**21,534**	25,759
Other (losses)/gains – net	6	**(10,736)**	62,775
Provision for impairment of alumina purchasing rights		**–**	(46,215)
Gain on disposal of available-for-sale financial assets	23	**214,722**	–
Operating profit	7	**227,376**	80,570
Finance income	8	**24,400**	37,258
Finance costs	8	**(56,871)**	(61,905)
Share of post-tax profits less losses of jointly-controlled companies	21	**18,872**	(55,543)
Provision for losses in a jointly-controlled company		**–**	(6,071)
Share of post-tax profits of associates	22	**14,009**	22,474
Profit before income tax		**227,786**	16,783
Income tax (expense)/credit	9	**(40,427)**	3,623
Profit for the year		**187,359**	20,406
Attributable to:			
Equity holders of the Company		**181,089**	12,543
Minority interest		**6,270**	7,863
		187,359	20,406
Earnings per share for profit attributable to equity holders of the Company – Basic and diluted	11	**HK8.94 cents**	HK0.61 cent
Dividends	12	**–**	–

The notes on pages 58 to 140 are an integral part of these financial statements.

Consolidated Statement of Comprehensive Income

		Year ended 31 December	
		2009	2008
	Note	***HK$'000***	*HK$'000*
Profit for the year		**187,359**	20,406
Other comprehensive loss			
Cash flow hedge		**19,981**	(10,232)
Currency translation differences		**29,975**	83,818
Transfer to income statement on disposal of available-for-sale financial assets		**(137,762)**	–
Fair value loss on available-for-sale financial assets		**–**	(208,099)
Other comprehensive loss for the year		**(87,806)**	(134,513)
Total comprehensive income/(loss) for the year		**99,553**	(114,107)
Total comprehensive income/(loss) attributable to:			
Equity holders of the Company		**93,283**	(133,516)
Minority interest		**6,270**	19,409
		99,553	(114,107)

The notes on pages 58 to 140 are an integral part of these financial statements.

Consolidated Balance Sheet

	Note	As at 31 December 2009 HK$'000	2008 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	15	**503,526**	520,703
Construction in progress	16	**322,821**	103,639
Investment properties	17	**13,150**	13,110
Land use rights	18	**8,947**	9,303
Alumina purchasing rights	19	**2,420,108**	2,558,400
Goodwill		**6,849**	6,849
Interests in jointly-controlled companies	21	**1,219,628**	1,125,868
Interests in associates	22	**118,493**	89,247
Long-term prepayments	27	**–**	177,840
Available-for-sale financial assets	23	**–**	309,790
Deferred income tax assets	24	**39,826**	60,027
		4,653,348	4,974,776
Current assets			
Inventories	25	**979,355**	693,907
Trade and bills receivables	26	**813,985**	776,029
Prepayments, deposits and other receivables	27	**522,314**	538,385
Derivative financial instruments	28	**4,253**	3,925
Current income tax assets		**6,957**	17,039
Time deposits	29	**218,770**	–
Pledged bank deposits	30	**35,361**	38,176
Cash and cash equivalents	30	**1,714,093**	1,867,712
		4,295,088	3,935,173
Total assets		**8,948,436**	8,909,949
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	31	**101,311**	101,455
Reserves	32	**6,081,588**	5,990,624
		6,182,899	6,092,079
Minority interest		**200,363**	193,134
Total equity		**6,383,262**	6,285,213

Consolidated Balance Sheet

		As at 31 December	
	Note	**2009**	2008
		HK$'000	*HK$'000*
LIABILITIES			
Non-current liabilities			
Deferred income	*33*	**40,155**	23,967
Derivative financial instruments	*28*	**–**	7,426
Deferred income tax liabilities	*24*	**122,619**	128,987
Bank borrowings	*34*	**641,573**	541,860
		804,347	702,240
Current liabilities			
Trade payables	*36*	**516,691**	802,336
Accruals, receipts in advance and other payables		**587,853**	476,786
Advances from banks for discounted bills		**195,403**	87,297
Amounts due to intermediate and ultimate holding companies, fellow subsidiaries, a jointly-controlled company and an associate	*42*	**5,193**	200,285
Derivative financial instruments	*28*	**78,562**	47,330
Current income tax liabilities		**8,754**	1,742
Bank borrowings	*34*	**368,371**	306,720
		1,760,827	1,922,496
Total liabilities		**2,565,174**	2,624,736
Total equity and liabilities		**8,948,436**	8,909,949
Net current assets		**2,534,261**	2,012,677
Total assets less current liabilities		**7,187,609**	6,987,453

Hao Chuanfu
Executive Director and President

Zhan Wei
Executive Director and Vice President

The notes on pages 58 to 140 are an integral part of these financial statements.

Balance Sheet

	Note	As at 31 December 2009 HK$'000	2008 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	*15*	**2,793**	3,547
Investment properties	*17*	**11,320**	10,890
Interests in subsidiaries	*20*	**3,166,305**	4,737,756
		3,180,418	4,752,193
Current assets			
Other receivables		**3,553**	14,490
Loans to subsidiaries	*20*	**57,000**	614,000
Cash and cash equivalents	*30*	**315,662**	346,513
		376,215	975,003
Total assets		**3,556,633**	5,727,196
EQUITY			
Capital and reserves			
Share capital	*31*	**101,311**	101,455
Reserves	*32*	**3,437,836**	4,555,370
Total equity		**3,539,147**	4,656,825
LIABILITIES			
Non-current liability			
Amount due to a subsidiary	*20*	**–**	1,001,556
Current liabilities			
Other payables		**4,263**	5,500
Amounts due to subsidiaries	*20*	**13,223**	63,315
		17,486	68,815
Total liabilities		**17,486**	1,070,371
Total equity and liabilities		**3,556,633**	5,727,196
Net current assets		**358,729**	906,188
Total assets less current liabilities		**3,539,147**	5,658,381

Hao Chuanfu
Executive Director and President

Zhan Wei
Executive Director and Vice President

The notes on pages 58 to 140 are an integral part of these financial statements.

Consolidated Statement of Changes in Equity

	Attributable to equity holders of the Company															
	Share capital HK$'000	Share premium HK$'000	Capital reserve HK$'000	Special capital reserve *(Note 32(c)(iii))* HK$'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$'000	Asset revaluation surplus HK$'000	Capital redemption reserve HK$'000	Share options reserve HK$'000	Retained profits HK$'000	Sub-total HK$'000	Minority interest HK$'000	Total HK$'000
At 1 January 2009	101,455	3,941,469	87,020	72,848	15,600	147,604	147,159	137,762	(27,407)	–	1,506	19,341	1,447,722	6,092,079	193,134	6,285,213
Profit for the year	–	–	–	–	–	–	–	–	–	–	–	–	181,089	181,089	6,270	187,359
Other comprehensive income/(loss)																
Transfer to income statement on disposal of available-for-sale financial assets	–	–	–	–	–	–	–	(137,762)	–	–	–	–	–	(137,762)	–	(137,762)
Cash flow hedge	–	–	–	–	–	–	–	–	19,981	–	–	–	–	19,981	–	19,981
Currency translation differences	–	–	–	–	–	–	29,975	–	–	–	–	–	–	29,975	–	29,975
Total comprehensive income for the year	–	–	–	–	–	–	29,975	(137,762)	19,981	–	–	–	181,089	93,283	6,270	99,553
Transactions with owners																
Repurchase of the Company's shares *(Note 31)*	(144)	–	–	–	–	–	–	–	–	–	144	–	(3,191)	(3,191)	–	(3,191)
Transfer (from)/to reserves	–	–	–	–	(15,600)	3,365	–	–	–	–	–	–	12,235	–	–	–
Transfer upon lapse of share options	–	–	–	–	–	–	–	–	–	–	–	(19,341)	19,341	–	–	–
Dividends paid to minority shareholders	–	–	–	–	–	–	–	–	–	–	–	–	–	–	(1,531)	(1,531)
Increase in fair values of proportionate holding of an associate *(Note 39)*	–	–	–	–	–	–	–	–	–	728	–	–	–	728	2,490	3,218
Total transactions with owners	(144)	–	–	–	(15,600)	3,365	–	–	–	728	144	(19,341)	28,385	(2,463)	959	(1,504)
At 31 December 2009	101,311	3,941,469	87,020	72,848	–	150,969	177,134	–	(7,426)	728	1,650	–	1,657,196	6,182,899	200,363	6,383,262

Consolidated Statement of Changes in Equity

	Attributable to equity holders of the Company														
	Share capital *HK$'000*	Share premium *HK$'000*	Capital reserve *HK$'000*	Special capital reserve *(Note 32(c)(iii))* *HK$'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$'000*	Capital redemption reserve *HK$'000*	Share options reserve *HK$'000*	Retained profits *HK$'000*	Sub-total *HK$'000*	Minority interest *HK$'000*	Total *HK$'000*
At 1 January 2008	102,936	3,939,662	48,380	69,084	15,600	179,884	74,887	345,861	(17,175)	–	19,810	1,529,163	6,308,092	251,828	6,559,920
Profit for the year	–	–	–	–	–	–	–	–	–	–	–	12,543	12,543	7,863	20,406
Other comprehensive income/(loss)															
Fair value losses on available-for-sale financial assets	–	–	–	–	–	–	–	(208,099)	–	–	–	–	(208,099)	–	(208,099)
Cash flow hedge	–	–	–	–	–	–	–	–	(10,232)	–	–	–	(10,232)	–	(10,232)
Currency translation differences	–	–	–	–	–	–	72,272	–	–	–	–	–	72,272	11,546	83,818
Total comprehensive loss for the year	–	–	–	–	–	–	72,272	(208,099)	(10,232)	–	–	12,543	(133,516)	19,409	(114,107)
Transactions with owners															
Issue of shares under share option scheme	25	1,807	–	–	–	–	–	–	–	–	(469)	–	1,363	–	1,363
Repurchase of the Company's shares *(Note 31)*	(1,506)	–	–	–	–	–	–	–	–	1,506	–	(32,379)	(32,379)	–	(32,379)
Dividends paid	–	–	–	–	–	–	–	–	–	–	–	(51,481)	(51,481)	–	(51,481)
Dividends paid to minority shareholders	–	–	–	–	–	–	–	–	–	–	–	–	–	(6,564)	(6,564)
Transfer to reserve for the undertaking given by the Company	–	–	–	3,764	–	–	–	–	–	–	–	(3,764)	–	–	–
Acquisition of additional interest in a subsidiary	–	–	–	–	–	–	–	–	–	–	–	–	–	(71,539)	(71,539)
Transfer to/(from) reserves	–	–	38,640	–	–	(32,280)	–	–	–	–	–	(6,360)	–	–	–
Total transactions with owners	(1,481)	1,807	38,640	3,764	–	(32,280)	–	–	–	1,506	(469)	(93,984)	(82,497)	(78,103)	(160,600)
At 31 December 2008	101,455	3,941,469	87,020	72,848	15,600	147,604	147,159	137,762	(27,407)	1,506	19,341	1,447,722	6,092,079	193,134	6,285,213

The notes on pages 58 to 140 are an integral part of these financial statements.

Consolidated Cash Flow Statement

	Note	Year ended 31 December 2009 HK$'000	2008 HK$'000
Cash flows from operating activities			
Net cash (used in)/generated from operations	*40*	**(131,708)**	512,855
Interest paid		**(33,077)**	(55,593)
Income tax paid		**(9,500)**	(85,972)
Net cash (used in)/generated from operating activities		**(174,285)**	371,290
Cash flows from investing activities			
Acquisition of a jointly-controlled company		**–**	(1,012,482)
Acquisition of additional interest in a subsidiary		**–**	(78,388)
Acquisition of a subsidiary		**(388)**	–
Capital injection into jointly-controlled companies		**(84,577)**	(17,550)
Purchase of available-for-sale financial assets		**–**	(41,805)
Purchase of property, plant and equipment and land use rights		**(8,078)**	(11,646)
Additions to construction in progress		**(259,661)**	(146,861)
Proceeds from disposal of property, plant and equipment		**3,493**	133
Proceeds from disposal of available-for-sale financial assets		**386,749**	–
Dividends received from an associate		**22**	1,969
Dividends received from a jointly-controlled company		**7,472**	11,889
Interest received		**24,461**	37,438
(Increase)/Decrease in time deposits and pledged bank deposits		**(215,955)**	2,415
Net cash used in investing activities		**(146,462)**	(1,254,888)
Cash flows from financing activities			
Proceeds from issuance of ordinary shares		**–**	1,363
Repurchase of the Company's shares		**(3,191)**	(32,379)
Net proceeds from new bank borrowings		**161,364**	136,209
Dividends paid to the Company's shareholders		**–**	(51,481)
Dividends paid to minority shareholders		**(1,531)**	(6,564)
Net cash generated from financing activities		**156,642**	47,148
Net decrease in cash and cash equivalents		**(164,105)**	(836,450)
Cash and cash equivalents at 1 January		**1,867,712**	2,695,939
Exchange gains on cash and bank balances		**10,486**	8,223
Cash and cash equivalents at 31 December	*30*	**1,714,093**	1,867,712

The notes on pages 58 to 140 are an integral part of these financial statements.

Notes to the Consolidated Financial Statements

1 GENERAL INFORMATION

Minmetals Resources Limited (the "Company") is a limited liability company and was incorporated in Hong Kong on 29 July 1988. The address of its registered office is 12/F, China Minmetals Tower, 79 Chatham Road South, Tsimshatsui, Kowloon, Hong Kong.

The Company is an investment holding company and has its listing on the Main Board of The Stock Exchange of Hong Kong Limited. Its subsidiaries, jointly-controlled companies and associates are principally engaged in the trading of non-ferrous metals, production of alumina and the manufacturing and distribution of aluminium and copper products.

The consolidated financial statements for the year ended 31 December 2009 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in jointly-controlled companies and associates. These consolidated financial statements are presented in thousands of units of Hong Kong dollars (HK$'000), unless otherwise stated, and have been approved for issue by the Board of Directors on 29 March 2010.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

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

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. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

2.1 Basis of preparation *(cont'd)*

(a) New and amended standards adopted by the Group

During the year, the Group has adopted the following new/revised standards, amendments to standards and interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are effective for the current accounting period of the Group.

HKAS 1 (Revised) – Presentation of financial statements

The revised standard requires "non-owner changes in equity" to be presented separately from owner changes in equity. As a result, the Group presents all owner changes in equity in the consolidated statement of changes in equity whereas all "non-owner changes in equity" are presented in a performance statement. Entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). The Group has elected to present two statements: an income statement and a statement of comprehensive income. The consolidated financial statements have been prepared under the revised disclosure requirements. Since the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share.

HKFRS 8 – Operating segments

HKFRS 8 replaces HKAS 14 – Segment reporting. It requires a "management approach" under which segment information is presented on the same basis as that used for internal reporting purposes. This contrasts with the presentation of segment information in prior years which was based on a disaggregation of the Group's financial statements into segments based on related products and services and on geographical areas.

Following the adoption of HKFRS 8, the identification of the Group's reportable segments has changed. However, the reportable segments identified under HKFRS 8 are same as those reported under HKAS 14 in the Group's financial statements for the year ended 31 December 2008. Additional explanation regarding the basis of preparation of the information has been included in Note 5. Amounts reported for prior period have been reclassified to conform to the current year's presentation.

HKAS 23 (Revised) – Borrowing costs

The standard has been revised to require capitalisation of borrowing costs when such costs are directly attributable to the acquisition, construction or production of a qualifying asset. The revised standard did not have any material impact on the Group's or Company's financial statements as it was consistent with the policies already adopted by the Group and the Company.

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

2.1 Basis of preparation *(cont'd)*

(a) New and amended standards adopted by the Group (cont'd)

HKFRS 7 (Amendment) – Financial instruments: disclosures

The amendment increases the disclosure requirements about fair value measurement and reinforces existing principles for disclosure about liquidity risk. The amendment introduces a three-level hierarchy for fair value measurement disclosures and requires some specific quantitative disclosures for financial instruments in the lowest level in the hierarchy. It also requires entities to provide additional disclosures about the relative reliability of fair value measurements. These disclosures will help to improve comparability between entities about the effects of fair value measurements. In addition, the amendment clarifies and enhances the existing requirements for the disclosure of liquidity risk primarily requiring a separate liquidity risk analysis for derivative and non-derivative financial liabilities. As the change in accounting policy only results in additional disclosures, there is no impact on earnings per share.

The following amendments to standards and interpretations are also mandatory for the accounting periods beginning on or after 1 January 2009:

HKFRSs (Amendment)	Improvements to HKFRSs 2008[1]
HKFRS 1 and HKAS 27 (Amendments)	Cost of an investment in a subsidiary, jointly controlled entity or associate
HKFRS 2 (Amendment)	Share-based payment – Vesting conditions and cancellations
HKAS 32 and HKAS 1 (Amendments)	Puttable financial instruments and obligations arising on liquidation
HK (IFRIC) – Int 9 and HKAS 39 (Amendments)	Reassessment of embedded derivatives
HK (IFRIC) – Int 13	Customer loyalty programmes
HK (IFRIC) – Int 15	Agreements for the construction of real estate
HK (IFRIC) – Int 16	Hedges of a net investment in a foreign operation
HK (IFRIC) – Int 18	Transfers of assets from customers[2]

1 Effective for the annual periods beginning on or after 1 January 2009 except for the amendment to HKFRS 5, "Non-current assets held for sale and discontinued operations" which is effective for annual periods beginning on or after 1 July 2009.

2 Effective for transfer of assets received on or after 1 July 2009.

The adoption of these amendments to standards and interpretations did not result in a significant impact on the results and financial position of the Group.

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

2.1 Basis of preparation *(cont'd)*

(b) *Standards, amendments to standards and interpretations that are not effective and have not been early adopted by the Group*

The Group has not early adopted the following new/revised standards, amendments to standards and interpretations that have been issued but are not effective for the accounting periods beginning on 1 January 2009. The Group is in the process of assessing their impact to the Group's results and financial position.

HKFRSs (Amendments)	Amendments to HKFRS 5 as part of improvements to HKFRSs issued in 2008[1]
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009[2]
HKAS 24 (Revised)	Related parties disclosures[6]
HKAS 27 (Revised)	Consolidated and separate financial statements[1]
HKAS 32 (Amendment)	Classification of rights issues[4]
HKAS 39 (Amendment)	Eligible hedged items[1]
HKFRS 1 (Amendment)	Additional exemptions for first-time adopters[3]
HKFRS 1 (Amendment)	Limited exemption from comparative HKFRS 7 disclosures for first-time adopters[5]
HKFRS 2 (Amendment)	Group cash-settled share-based payment transactions[3]
HKFRS 3 (Revised)	Business combinations[1]
HKFRS 9	Financial instruments[7]
HK (IFRIC) – Int 14 (Amendment)	Prepayments of a minimum funding requirement[6]
HK (IFRIC) – Int 17	Distributions of non-cash assets to owners[1]
HK (IFRIC) – Int 19	Extinguishing financial liabilities with equity instruments[5]

1 Effective for annual periods beginning on or after 1 July 2009.
2 Effective for annual periods beginning on or after 1 July 2009 and 1 January 2010, as appropriate.
3 Effective for annual periods beginning on or after 1 January 2010.
4 Effective for annual periods beginning on or after 1 February 2010.
5 Effective for annual periods beginning on or after 1 July 2010.
6 Effective for annual periods beginning on or after 1 January 2011.
7 Effective for annual periods beginning on or after 1 January 2013.

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

2.2 Consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiaries made up to 31 December.

(a) Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the consolidated income statement.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary in the consolidated financial statements to ensure consistency with the policies adopted by the Group.

In the Company's balance sheet, the investments in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

(b) Transactions with minority interests

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals to minority interests result in gains and losses for the Group that are recorded in the consolidated income statement. Purchases from minority interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary.

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

2.2 Consolidation *(cont'd)*

(c) Jointly-controlled companies

Joint venture arrangements that involve the establishment of a separate entity in which venturers have joint control over the economic activity of the entity are referred to as jointly-controlled companies. The Group's interests in jointly-controlled companies are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investment in jointly-controlled companies includes goodwill identified on acquisition, net of any accumulated impairment loss.

The Group's share of its jointly-controlled companies' post-acquisition profits or losses is recognised in the consolidated income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in a jointly-controlled company equals or exceeds its interest in the jointly-controlled company, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the jointly-controlled company.

Unrealised gains on transactions between the Group and its jointly-controlled companies are eliminated to the extent of the Group's interest in the jointly-controlled companies. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of jointly-controlled companies have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's balance sheet, the investments in jointly-controlled companies are stated at cost less provision for impairment losses. The results of jointly-controlled companies are accounted for by the Company on the basis of dividend received and receivable.

(d) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost.

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

2.2 Consolidation *(cont'd)*

(d) Associates (cont'd)

The Group's share of its associates' post-acquisition profits or losses is recognised in the consolidated income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's balance sheet, the investments in associates are stated at cost less provision for impairment losses. The results of associates are accounted for by the Company on the basis of dividend received and receivable.

2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Company's executive directors and other senior management of the Group.

2.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The Company's functional currency is United States dollars and for the convenience of the readers of the financial statements, the consolidated financial statements are presented in Hong Kong dollars.

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

2.4 Foreign currency translation *(cont'd)*

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement.

Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale are analysed between translation differences resulting from changes in the amortised cost of the security, and other changes in the carrying amount of the security. Translation differences related to changes in the amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in equity.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available-for-sale are included in the available-for-sale financial assets reserve in equity.

(c) Group companies

The results and financial position of all the Group's entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing at the dates of the transactions, in which case income and expenses are translated at the rate on the dates of the transactions); and

(iii) all resulting exchange differences are recognised as a separate component of equity.

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

2.4 Foreign currency translation *(cont'd)*

(c) Group companies (cont'd)

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the consolidated income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

2.5 Property, plant and equipment

Buildings comprise mainly factories, offices and staff quarters. Buildings are stated at cost or at revalued amounts, being their fair values at the date of revaluation, less accumulated depreciation and accumulated impairment losses.

The Group has taken advantage of the transitional provisions set out in paragraph 80A of HKAS 16 "Property, Plant and Equipment", with the effect that certain buildings are stated at revalued amounts, which were determined prior to 30 September 1995 and have not been updated to reflect their fair values at the balance sheet date.

All other property, plant and equipment is stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are expensed in the consolidated income statement during the accounting period in which they are incurred.

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

2.5 Property, plant and equipment *(cont'd)*

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate costs or revalued amounts to their residual values over their estimated useful lives, as follows:

Buildings	20-50 years
Leasehold improvements	shorter of 5 years and over the unexpired periods of the leases
Plant and machinery	7-15 years
Office equipment	5-15 years
Furniture, fixtures and equipment	5-15 years
Motor vehicles	3-10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the consolidated income statement.

2.6 Investment properties

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by any group company, is classified as investment property.

Investment property is measured initially at its cost, including related transaction costs. After initial recognition, investment property is carried at fair value. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If the information is not available, alternative valuation methods such as recent prices on less active markets or discounted cash flow projections are used. These valuations are performed in accordance with the "HKIS Valuation Standards on Properties (First Edition 2005)" published by the Hong Kong Institute of Surveyors. Investment property is valued annually by external valuers. Changes in fair values are recognised in the consolidated income statement.

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

2.7 Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired entities at the date of acquisition. Goodwill is tested for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill in respect of subsidiaries is disclosed as goodwill. Goodwill relating to a jointly-controlled company is included within the carrying amount of the interest in a jointly-controlled company.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

2.8 Alumina purchasing rights

Alumina purchasing rights represent the rights to purchase pre-determined quantities of alumina from an alumina supplier over certain periods of time pursuant to the legal binding agreements entered into between the alumina supplier and the Group. Alumina purchasing rights are stated at cost less accumulated amortisation and impairment losses. Alumina purchasing rights are amortised over the unexpired periods of the agreements or in accordance with the quantities of alumina delivered.

2.9 Impairment of investments in subsidiaries, jointly-controlled companies, associates and non-financial assets

Assets that have an indefinite useful life, for example goodwill, are not subject to amortisation and are tested annually for impairment. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

Impairment testing of the investments in subsidiaries, jointly-controlled companies or associates is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary, jointly-controlled company or associate in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

2.10 Non-current assets held for sale

Non-current assets (or disposal groups) are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is to be recovered principally through a sale transaction rather than through continuing use.

2.11 Financial assets

Classification

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determine the classification of its financial assets at initial recognition.

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period, in which case they are classified as non-current assets.

(c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the end of the reporting period.

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

2.11 Financial assets *(cont'd)*

Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade-date being the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the consolidated income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the financial assets at fair value through profit or loss category are presented in the consolidated income statement within other gains/(losses) in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the consolidated income statement when the Group's right to receive payments is established.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. Translation differences on monetary securities are recognised in profit or loss, translation differences on non-monetary securities are recognised in other comprehensive income. Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognised in other comprehensive income.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the consolidated income statement as gains and losses from investment securities.

Interest on available-for-sale securities calculated using the effective interest method is recognised in the consolidated income statement. Dividends on available-for-sale equity instruments are recognised in the consolidated income statement when the Group's right to receive payments is established.

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

2.11 Financial assets *(cont'd)*

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The Group first assesses whether objective evidence of impairment exists. The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The asset's carrying amount of the asset is reduced and the amount of the loss is recognised in the income statement.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the income statement.

2.12 Derivative financial instruments and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either:

(1) hedges of the fair value of recognised assets or liabilities or a firm commitments (fair value hedge);

(2) hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge); or

(3) hedges of a net investment in a foreign operation (net investment hedge).

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transaction are highly effective in offsetting changes in fair value or cash flows of hedged items.

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

2.12 Derivative financial instruments and hedging activities *(cont'd)*

The fair values of various derivative instruments used for hedging purposes are disclosed in Note 28. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedge item is more than 12 months, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

(a) Fair value hedge

Changes in the fair value of derivatives that are designated and qualified as fair value hedges are recognised in the consolidated income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The gain or loss relating to the effective portion of interest rate swaps hedging fixed rate borrowings is recognised in the consolidated income statement within finance costs. The gain or loss relating to the ineffective portion is recognised in the consolidated income statement within other gains/(losses). Changes in the fair value of the hedged fixed rate borrowings attributable to interest rate risk are recognised in the consolidated income statement within finance costs.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to profit or loss over the period to maturity.

(b) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualified as cash flow hedges are recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the consolidated income statement.

Amounts accumulated in equity are recycled in the consolidated income statement in the periods when the hedged item affects profit or loss (for example, when the forecast sale that is hedged takes place). The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in the consolidated income statement within finance costs. The gain or loss relating to the ineffective portion is recognised in the consolidated income statement within other gains/(losses). However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory), the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset.

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

2.12 Derivative financial instruments and hedging activities *(cont'd)*

(b) Cash flow hedge (cont'd)

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the consolidated income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the consolidated income statement within other gains/(losses).

(c) Net investment hedge

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the consolidated income statement within other gains/(losses).

Gains and losses accumulated in equity are included in the consolidated income statement when the foreign operation is partially disposed of or sold.

(d) Derivatives that do not qualify for hedge accounting

Certain derivatives instruments do not qualify for hedge accounting and are accounted for at fair value through profit or loss. Changes in the fair value of these derivative instruments are recognised immediately in the consolidated income statement within other gains/(losses).

2.13 Financial guarantee contract

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract issued by the Group is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount determined in accordance with HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets"; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 "Revenue".

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

2.14 Inventories

Inventories comprise raw materials, work in progress, finished goods, and commodities purchased for re-sale. Inventories are stated at the lower of cost and net realisable value.

Cost of commodities purchased for re-sale, mainly comprising purchase costs and custom duty, is determined using the first-in, first-out method. The cost of work in progress and finished goods, comprising raw materials, direct labour, other direct costs and an appropriate proportion of related production overheads, are determined using the weighted average method. It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.15 Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

2.16 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

2.17 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any group company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

2.18 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and are recognised in the consolidated income statement on a straight-line basis over the expected useful lives of the related assets.

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

2.19 Provisions and contingent liabilities

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

Contingent liabilities are possible obligations that arise from past events and whose existence will only be confirmed by the occurrence of one or more future events not wholly within the control of the Group. Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote.

2.20 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

2.21 Current and deferred income tax

The tax expense or credit recognised for the year comprises current and deferred tax. Tax is recognised in the consolidated income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

2.21 Current and deferred income tax *(cont'd)*

The current income tax charge is calculated on the basis of the tax laws enacted or substantially enacted at the balance sheet date in the places where the Company's subsidiaries, jointly-controlled companies and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or a liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, jointly-controlled companies and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.22 Trade and other payables

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Trade and other payables are classified as current liabilities if payment is due with one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

2.23 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown, net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(a) Sales of goods

Revenue from sale of goods is recognised when the risk and reward of the goods has been transferred to the customer, which is usually at the date when a group entity has delivered products to the customer, the customer has accepted the products, and there is no unfulfilled obligations that could affect the customer's acceptance of the products.

(b) Servicing income

Commission and logistics agency income is recognised when the related services are rendered.

(c) Interest income

Interest income is recognised on a time proportion basis, using the effective interest method.

(d) Rental income

Operating lease rental income is recognised on a straight-line basis over the lease periods.

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

2.24 Employee benefits

(a) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date. Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(b) Retirement benefits

Arrangements for staff retirement benefits are made in accordance with local regulations and customs.

The Group's employees in Mainland China are covered by various government-sponsored pension plans. These government agencies are responsible for the pension liabilities to these employees. The relevant group companies pay monthly contributions to these pension plans based on certain percentages of the employees' salaries, subject to a certain ceiling. Under these plans, the Group has no legal or constructive obligation to make further payments once the required contributions have been paid. Contributions to these plans are expensed as incurred.

The Group's employees in Mainland China are also entitled to participate in various government-sponsored medical insurance plans and housing funds. The relevant group companies pay monthly contributions to these funds based on certain percentages of the employees' salaries. The Group's liability in respect of these funds is limited to the contributions paid. Contributions to these plans are expensed as incurred.

The Group's Hong Kong and overseas employees are entitled to participate in a number of defined contribution pension schemes, the assets of which are generally held in separate trustee-administered funds. The pension schemes are generally funded by payments from the employees and by the relevant group companies.

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

2.24 Employee benefits *(cont'd)*

(c) Share-based compensation

The Group operates an equity-settled, share-based compensation plan, under which the entity receives services from employees as consideration for equity instruments (options) of the Group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market service and performance vesting conditions (for example, profitability and sales growth targets and remaining employees of the entity over a specified time period). Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The total amount expensed is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At each balance sheet date, the Group revises its estimates of the number of options that are expected to vest based on the non-marketing vesting conditions. It recognises the impact of the revision of original estimates, if any, in the consolidated income statement with a corresponding adjustment to equity.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

2.25 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor), including upfront payment made for leasehold land and land use rights, are charged to the consolidated income statement on a straight-line basis over the period of the lease.

2.26 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders or board of directors, as appropriate.

2.27 Comparatives

Certain comparative figures have been reclassified in order to conform to the current year's presentation.

Notes to the Consolidated Financial Statements

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks, including commodity price risk, interest rate risk, foreign exchange risk, credit risk and liquidity risk. The Group's overall risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The use of financial derivative instruments should strictly follow the yearly plans approved by the board of directors of the Company and its subsidiaries. The Group does not and is prohibited to enter into derivative contracts for speculative purposes.

The core management team identifies, evaluates and monitors financial risks in close co-operation with the Group's operating units to ensure derivative financial instruments are employed solely for hedging purposes.

(a) Commodity price risk

The principal activities of the Group are the trading of alumina, aluminium ingot and other non-ferrous metals as well as the production and sales of aluminium foils and extrusions. As non-ferrous metal markets are influenced by global as well as regional supply and demand conditions, any unexpected price changes might affect the Group's earnings and performance. To mitigate this risk, the Group closely monitors any significant exposures and may enter into commodity derivative contracts from time to time in accordance with the policies and yearly plans approved by the board of directors. Further details of these commodity derivative contracts are set out in Note 28.

The table below summaries the impact of increase/decrease of aluminium futures contract prices on the Group's post-tax profit for the year. The analysis is based on the assumption that the aluminium futures contract prices had increased/decreased by 5% (2008:5%) at the year end dates with all other variables held constant.

	Increase/(decrease) in post-tax profit	
	2009	2008
	HK$'000	*HK$'000*
If aluminium futures contract prices increased by 5%	**(24,091)**	1,459
If aluminium futures contract prices decreased by 5%	**24,091**	(1,459)

Notes to the Consolidated Financial Statements

3 FINANCIAL RISK MANAGEMENT *(cont'd)*

3.1 Financial risk factors *(cont'd)*

(b) *Interest rate risk*

The Group's income and operating cash flows are substantially independent of changes in market interest rates and the Group has no significant interest-bearing assets except for time deposits and cash and cash equivalents, details of which have been disclosed in Notes 29 and 30.

The Group's fair value interest rate risk relates primarily to fixed rate bank borrowings. The Group's cash flow interest rate risk relates primarily to floating rate bank borrowings. Details of the Group's bank borrowings are set out in Note 34.

The Group regularly monitors its interest rate risk to ensure there are no undue exposures to significant interest rate movements. The Group has used interest rate swaps to manage the interest rate risk of its floating rate bank borrowings. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates. Details of the Group's interest rate swaps are disclosed in Note 28.

If the interest rate had increased/decreased by 50 basis points (2008: 50 basis points) at the year end dates with all other variables held constant, post-tax profit for the year (as a result of the change in interest expense for floating rate borrowings) would have been no material changes and equity (as a result of the change in fair value of cash flow hedge) would have been approximately HK$1,123,000 (2008: HK$3,399,000) higher/lower.

(c) *Foreign exchange risk*

The Group operates in Hong Kong, Mainland China and Australia and is exposed to foreign exchange risk primarily with respect to Renminbi ("RMB"), Australian dollars ("AUD") and the United States dollars ("USD"). 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 for the transactions conducted in HKD or USD. However, exchange rate fluctuations of RMB or AUD against HKD or USD could affect the Group's performance and asset value.

If RMB had strengthened/weakened by 5% (2008: 5%) against HKD or USD at the year end dates and with all other variables held constant, post-tax profit for the year would have been approximately HK$19,283,000 (2008: HK$18,197,000) higher/lower.

If AUD had strengthened/weakened by 5% (2008: 5%) against HKD or USD at the year end dates and with all other variables held constant, post-tax profit for the year would have been approximately HK$20,703,000 (2008: HK$1,663,000) higher/lower.

Notes to the Consolidated Financial Statements

3 FINANCIAL RISK MANAGEMENT *(cont'd)*

3.1 Financial risk factors *(cont'd)*

(d) Credit risk

Credit risk arises primarily from: (i) trade and bills receivables, (ii) deposits and other receivables; and (iii) derivative financial instruments and bank deposits. The Group's maximum exposure to this risk, without taking account of any collateral held, is represented by the carrying amounts of these financial assets in the consolidated balance sheet after deducting any provision for impairment.

(i) Trade and bills receivables

For the Group's trading business, customers are normally required to make payments before or upon delivery of goods. For the aluminium fabrication business, the Group has control procedures in place to evaluate customers' credit standing and ability to pay on an ongoing basis. Slow-moving debts are regularly monitored with timely follow-up actions taken.

With diversified business operations and customer bases, the Group has no significant concentrations of credit risk with respect to a particular customer. Bills receivable, which are mostly drawn from reputable financial institutions, accounted for 76% (2008: 76%) of the Group's trade and bills receivables as at 31 December 2009. The largest trade receivable and the five largest trade receivables accounted for 7% (2008: 13%) and 13% (2008: 16%) of the Group's trade and bills receivables as at 31 December 2009, respectively.

(ii) Deposits and other receivables

During the year ended 31 December 2009, the financial position of an aluminium smelter, who entered into tolling arrangement with the Group, was severely affected because of the global financial tsunami and the sudden reduction in its operating scale. This caused it failed to execute the tolling contracts and repay certain receivables owed to the Group. As at 31 December 2009, the net carrying amount of these receivables, after deducting the provision for impairment of approximately HK$49,020,000, amounted to approximately HK$49,020,000. A power generation unit of this aluminium producer was held by the Group as collateral for the above unsettled other receivables at 31 December 2009.

As at 31 December 2008, the title of inventory and the shares of a supplier were held by the Group as collateral for a prepayment of HK$287,280,000.

Notes to the Consolidated Financial Statements

3 FINANCIAL RISK MANAGEMENT *(cont'd)*

3.1 Financial risk factors *(cont'd)*

(d) Credit risk (cont'd)

(iii) Derivative financial instruments and bank deposits

The Group's derivative transactions and bank deposits are made with various high-credit-quality financial institutions in different countries. Credit risk in this regard is limited.

(e) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the Company when the borrowings exceed certain predetermined limit. The Group's approach is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient cash and cash equivalents or has available funding through adequate amount of committed credit facilities to meet its working capital requirements.

The table below analyses the Group's non-derivative financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. Derivative financial liabilities are included in the analysis if their contractual maturities are essential for an understanding of the timing of the cash flows. The amounts disclosed in the table are the contractual undiscounted cash flows.

Notes to the Consolidated Financial Statements

3 FINANCIAL RISK MANAGEMENT *(cont'd)*

3.1 Financial risk factors *(cont'd)*

(e) Liquidity risk (cont'd)

	Within 1 year *HK$'000*	Between 1 and 2 years *HK$'000*	Between 2 and 5 years *HK$'000*	Over 5 years *HK$'000*	Total *HK$'000*
At 31 December 2009					
Financial liabilities					
– Trade payables	**516,691**	**–**	**–**	**–**	**516,691**
– Accruals and other payables	**103,315**	**–**	**–**	**–**	**103,315**
– Advances from banks for discounted bills	**195,403**	**–**	**–**	**–**	**195,403**
– Amounts due to intermediate and ultimate holding companies, fellow subsidiaries, a jointly-controlled company and an associate	**5,193**	**–**	**–**	**–**	**5,193**
– Bank borrowings	**399,921**	**177,236**	**294,768**	**265,582**	**1,137,507**
	1,220,523	**177,236**	**294,768**	**265,582**	**1,958,109**
Derivative financial liabilities					
– Net settled derivative financial instruments	**78,562**	**–**	**–**	**–**	**78,562**
Financial guarantee issued:					
– Maximum amount guaranteed *(Note 35)*	**–**	**41,040**	**–**	**–**	**41,040**
At 31 December 2008					
Financial liabilities					
– Trade payables	802,336	–	–	–	802,336
– Accruals and other payables	130,212	–	–	–	130,212
– Advances from banks for discounted bills	87,297	–	–	–	87,297
– Amounts due to intermediate and ultimate holding companies, fellow subsidiaries, a jointly-controlled company and an associate	200,285	–	–	–	200,285
– Bank borrowings	325,311	118,495	210,543	251,646	905,995
	1,545,441	118,495	210,543	251,646	2,126,125
Derivative financial liabilities					
– Net settled derivative financial instruments	47,654	7,559	–	–	55,213
Financial guarantee issued:					
– Maximum amount guaranteed *(Note 35)*	–	–	41,040	–	41,040

Notes to the Consolidated Financial Statements

3 FINANCIAL RISK MANAGEMENT *(cont'd)*

3.2 Fair value estimation

Effective 1 January 2009, the Group adopted the amendment to HKFRS 7 for financial instruments that are measured in the balance sheet at fair value, this requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

– Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).

– Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).

– Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's financial assets and liabilities that are measured at fair value at 31 December 2009.

	Level 1	**Level 2**	**Level 3**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Assets				
Derivative financial instruments				
– Aluminium futures contracts	–	4,253	–	4,253
Liabilities				
Derivative financial instruments				
– Aluminium futures contracts	–	67,868	–	67,868
– Interest rate swaps	–	10,694	–	10,694
	–	78,562	–	78,562

The fair value of aluminium futures contracts represents the differences between the contractual prices and the prevailing market prices for contracts with similar maturities as quoted on the London Metal Exchange and Shanghai Futures Exchange. The fair value of interest rate swaps is the estimated amount that the Group would receive or pay to terminate the swaps at the balance sheet date, taking into account current interest rates and the current creditworthiness of the swap counterparties.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate is a market related rate for a similar instrument at the balance sheet date.

Notes to the Consolidated Financial Statements

3 FINANCIAL RISK MANAGEMENT *(cont'd)*

3.2 Fair value estimation *(cont'd)*

The nominal values less any credit adjustments for financial assets and liabilities with a maturity of less than one year are assumed to approximate their fair values. The fair values of non-current bank borrowings equal their carrying amounts, as the impact of discounting is not significant. As the fair value of the issued financial guarantee contract of the Company is not material, no related disclosure has been made.

3.3 Capital risk management

The Group's objectives on managing capital are to safeguard the Group's ability to continue as a going concern, support the Group's sustainable growth, enhance shareholders' value and provide capital for potential acquisitions and investment.

The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and business strategies. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividend payments to shareholders, issue new shares or raise/repay debts.

The Group monitors capital by using gearing ratio. As the Group was in a net cash position as at 31 December 2009 and 2008, gearing ratio (defined as total borrowings less cash and bank deposits divided by shareholders' equity) was not applicable.

	2009 ***HK$'000***	2008 *HK$'000*
Cash and cash equivalents	**1,714,093**	1,867,712
Time deposits	**218,770**	–
Pledged bank deposits	**35,361**	38,176
Less: Total borrowings *(Note)*	**(1,205,347)**	(935,877)
Net cash	**762,877**	970,011
Total equity	**6,383,262**	6,285,213

Note: Total borrowings include bank borrowings and advances from banks for discounted bills.

Notes to the Consolidated Financial Statements

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Estimated provision for impairment of receivables

The Group makes provision for impairment of receivables based on an assessment of the collectibility of trade and other receivables. Provisions for impairment are applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of doubtful debts requires the use of judgement and estimates. Where the expectation is different from the original estimate, such difference will impact carrying amount of receivables and doubtful debt expenses in the accounting period in which such estimate is changed.

(b) Impairment assessment of alumina purchasing rights

The Group performs impairment test at each balance sheet date to determine whether alumina purchasing rights have suffered any impairment in accordance with the accounting policy stated in Note 2.9. This determination requires significant judgement and the use of estimates. Discounted cash flow techniques are used to estimate the recoverable amount of alumina purchasing rights. Forecasted projections used in the discounted cash flow model are subject to numerous assumptions, risks and uncertainties which include, among others, determining appropriate discount rates, forecasting future alumina prices and sourcing costs as well as assessing economic outlook and environment in general and for the industry. Any changes in these assumptions and estimates can affect the result of assessment.

(c) Impairment assessment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash generating unit and a suitable discount rate in order to calculate the present value. When the actual future cash flows are less than expected, an impairment loss may arise.

Notes to the Consolidated Financial Statements

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(cont'd)*

(d) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on the current market condition and the historical experience of manufacturing and selling products of similar nature. Management reassesses the estimation at each balance sheet date.

(e) Estimated useful lives of plant and equipment

The Group's management determines the estimated useful lives and related depreciation charges for its plant and equipment. This estimate is based on the historical experience of the actual useful lives of plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to competition within the industry. Management will increase the depreciation where useful lives are less than previously estimated lives, or it will write-off or write-down technically obsolete or assets that have been abandoned.

(f) Income taxes

The Group is subject to income taxes in a number of jurisdictions. Significant judgement is required in determining the provision for income taxes. There are some transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax provisions in the accounting period in which such determination is made.

5 SEGMENT INFORMATION

The Group has adopted HKFRS 8 – Operating segments with effect from 1 January 2009. HKFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision-maker in order to allocate resources to the segment and assess its performance.

The Group manages its non-ferrous metals businesses through subsidiaries engaging in different operations along the supply chain. The Group's chief operating decision-maker has been identified as the Company's executive directors and other senior management of the Group. They review the Group's internal reporting of these subsidiaries in order to assess performance and allocate resources. The identification of operating segments is based on the stage of operation along the supply chain.

Notes to the Consolidated Financial Statements

5 SEGMENT INFORMATION *(cont'd)*

The Group's reportable segments under HKFRS 8, which are same as those identified under HKAS 14 and reported in the Group's financial statements for the year ended 31 December 2008, are as follows:

Trading	:	This segment engages in the trading of alumina and aluminium ingot. Alumina is sourced under spot contracts and long-term contracts signed with international and domestic alumina suppliers as well as a jointly-controlled company of the Group, and mainly sold to aluminium smelters in the People's Republic of China (the "PRC"). Aluminium ingot is sourced from PRC aluminium smelters and sold to the Group's aluminium fabrication operation and other PRC customers.
Aluminium fabrication	:	This segment engages in the production and sale of aluminium foil, plate, strip and extrusions. Its products are sold throughout the PRC, America and Asia markets.
Other operations	:	Operating segments that do not meet the quantitative thresholds are combined as "Other operations", which mainly includes the production and sale of aluminium processing equipment, production and sale of plica tubes and provision of port logistics services.

Segment result represents the profit earned by each segment without allocation of head office's central administration and corporate expenses and share of profits less losses of jointly-controlled companies and associates. This is the measure reported to the chief operating decision-maker for the purposes of resource allocation and assessment of segment performance. In prior years and under HKAS 14, the measure used by the Group for reporting segment profit is operating profit. Other information provided, except as disclosed in the following paragraph, to the chief operating decision-maker is measured in a manner consistent with that in the financial statements.

Segment assets exclude current income tax assets, deferred income tax assets, available-for-sale financial assets and interests in jointly-controlled companies and associates. Segment liabilities exclude current income tax liabilities and deferred income tax liabilities. The excluded assets and liabilities are presented as part of the reconciliation to total balance sheet assets or liabilities.

Inter-segment sales are priced with reference to prices charged to external third parties for similar transactions. Finance costs for inter-segment loans are charged at prevailing market interest rates.

Notes to the Consolidated Financial Statements

5 SEGMENT INFORMATION *(cont'd)*

The segment revenue and result for the year ended 31 December 2009 are as follows:

	For the year ended 31 December 2009						
	Trading *HK$'000*	Aluminium fabrication *HK$'000*	Other operations *HK$'000*	Segment total *HK$'000*	Inter-segment elimination *HK$'000*	Unallocated *(Note)* *HK$'000*	Total *HK$'000*
External revenue	4,524,476	1,429,257	262,095	6,215,828	–	–	6,215,828
Inter-segment revenue	864,682	3,205	81,801	949,688	(949,688)	–	–
Revenue	5,389,158	1,432,462	343,896	7,165,516	(949,688)	–	6,215,828
Operating profit	(17,354)	43,657	4,923	31,226	586	195,564	227,376
Finance income	16,806	304	4,824	21,934	(5,078)	7,544	24,400
Finance costs	(31,614)	(30,187)	(148)	(61,949)	5,078	–	(56,871)
Segment result	(32,162)	13,774	9,599	(8,789)	586	203,108	194,905
Share of post-tax profits less losses of jointly-controlled companies							18,872
Share of post-tax profits of associates							14,009
Income tax expense							(40,427)
Profit for the year							187,359
Minority interest							(6,270)
Profit attributable to equity holders of the Company							181,089
Other segment information:							
Additions to non-current assets	980	227,043	38,402	266,425	–	83	266,508
Depreciation of property, plant and equipment	684	58,724	5,727	65,135	–	837	65,972
Amortisation							
– Alumina purchasing rights	138,292	–	–	138,292	–	–	138,292
– Land use rights	–	1,788	36	1,824	–	–	1,824
Other major non-cash expenses/(income)							
– Provision for/(Reversal of provision for) impairment of receivables	48,952	680	2,761	52,393	–	(2,618)	49,775
– Reversal of write-down of inventories	–	–	(230)	(230)	–	–	(230)

Note: Unallocated items mainly include gain on disposal of available-for-sale financial assets, finance income and corporate costs which cannot be meaningfully allocated to individual segments.

Notes to the Consolidated Financial Statements

5 SEGMENT INFORMATION *(cont'd)*

The segment revenue and result for the year ended 31 December 2008 are as follows:

	For the year ended 31 December 2008						
	Trading *HK$'000*	Aluminium fabrication *HK$'000*	Other operations *HK$'000*	Segment total *HK$'000*	Inter-segment elimination *HK$'000*	Unallocated *(Note)* *HK$'000*	Total *HK$'000*
External revenue	6,310,402	1,862,359	277,539	8,450,300	–	–	8,450,300
Inter-segment revenue	667,931	–	17,071	685,002	(685,002)	–	–
Revenue	6,978,333	1,862,359	294,610	9,135,302	(685,002)	–	8,450,300
Operating profit	63,255	28,790	11,678	103,723	200	(23,353)	80,570
Finance income	27,957	639	5,422	34,018	(28,496)	31,736	37,258
Finance costs	(57,913)	(31,384)	(283)	(89,580)	28,532	(857)	(61,905)
Segment result	33,299	(1,955)	16,817	48,161	236	7,526	55,923
Share of post-tax profits less losses of jointly-controlled companies							(55,543)
Provision for losses in a jointly-controlled company							(6,071)
Share of post-tax profits of associates							22,474
Income tax credit							3,623
Profit for the year							20,406
Minority interest							(7,863)
Profit attributable to equity holders of the Company							12,543
Other segment information:							
Additions to non-current assets	271	138,514	16,636	155,421	–	3,086	158,507
Depreciation of property, plant and equipment	470	58,974	2,325	61,769	–	487	62,256
Amortisation							
– Alumina purchasing rights	141,140	–	–	141,140	–	–	141,140
– Land use rights	–	1,756	17	1,773	–	–	1,773
Other major non-cash expenses/ (income)							
– Write-down of inventories	130,404	12,158	164	142,726	–	–	142,726
– Provision for impairment of alumina purchasing rights	46,215	–	–	46,215	–	–	46,215
– Reversal of provision for impairment of receivables	(2,333)	(2,165)	(1,052)	(5,550)	–	–	(5,550)

Note: Unallocated items mainly include finance income, finance costs and corporate costs which cannot be meaningfully allocated to individual segments.

Notes to the Consolidated Financial Statements

5 SEGMENT INFORMATION *(cont'd)*

The segment assets and liabilities are as follows:

	At 31 December 2009					
	Trading *HK$'000*	Aluminium fabrication *HK$'000*	Other operations *HK$'000*	Segment total *HK$'000*	Unallocated *(Note)* *HK$'000*	Total *HK$'000*
Segment assets	5,068,045	1,582,026	582,570	7,232,641	330,891	7,563,532
Interests in jointly-controlled companies						1,219,628
Interests in associates						118,493
Deferred income tax assets						39,826
Current income tax assets						6,957
Total assets						8,948,436
Segment liabilities	1,002,540	937,150	491,671	2,431,361	2,440	2,433,801
Deferred income tax liabilities						122,619
Current income tax liabilities						8,754
Total liabilities						2,565,174

	At 31 December 2008					
	Trading *HK$'000*	Aluminium fabrication *HK$'000*	Other operations *HK$'000*	Segment total *HK$'000*	Unallocated *(Note)* *HK$'000*	Total *HK$'000*
Segment assets	4,722,711	1,474,545	501,109	6,698,365	609,613	7,307,978
Interests in jointly-controlled companies						1,125,868
Interests in associates						89,247
Available-for-sale financial assets						309,790
Deferred income tax assets						60,027
Current income tax assets						17,039
Total assets						8,909,949
Segment liabilities	1,311,771	775,688	394,516	2,481,975	12,032	2,494,007
Deferred income tax liabilities						128,987
Current income tax liabilities						1,742
Total liabilities						2,624,736

Note: Unallocated items mainly include available-for-sale financial assets, and assets and liabilities that are not directly attributable to any reportable segment.

Notes to the Consolidated Financial Statements

5 SEGMENT INFORMATION *(cont'd)*

The Company is domiciled in Hong Kong. The revenues from external customers are attributed to places on the basis of the customer's location. For the years ended 31 December 2009 and 2008, no single external customer accounted for 10% or more of the Group's total revenue.

	External revenue Year ended 31 December		Interests in jointly-controlled companies and associates At 31 December		Other non-current assets (not including deferred income tax assets and available-for-sale financial assets) At 31 December	
	2009 **HK$'000**	2008 HK$'000	**2009** **HK$'000**	2008 HK$'000	**2009** **HK$'000**	2008 HK$'000
Mainland China	**5,852,850**	7,067,128	**1,248,003**	1,152,876	**851,170**	826,546
Australia	**162,256**	606,503	**90,113**	62,239	**2,421,158**	2,559,470
Hong Kong	**13,079**	1,268	**–**	–	**3,073**	3,828
Others	**187,643**	775,401	**5**	–	**–**	–
Total	**6,215,828**	8,450,300	**1,338,121**	1,215,115	**3,275,401**	3,389,844

6 OTHER INCOME AND OTHER (LOSSES)/GAINS – NET

(a) Other income

	2009 **HK$'000**	2008 HK$'000
Compensation received from customers for cancellation of contracts	**10,260**	4,359
Sales of by-products and other services income	**6,986**	8,628
Amortisation of deferred income *(Note 33)*	**2,736**	2,688
Government grant and tax refund on reinvestment in a PRC subsidiary	**643**	2,642
Rental income from investment properties	**611**	615
Others	**298**	6,827
	21,534	25,759

Notes to the Consolidated Financial Statements

6 OTHER INCOME AND OTHER (LOSSES)/GAINS – NET *(cont'd)*

(b) Other (losses)/gains – net

	2009 **HK$'000**	2008 HK$'000
Exchange gains – net	**43,480**	67,205
Gains/(Losses) on disposal of property, plant and equipment	**1,062**	(168)
Fair value gains on investment properties	**40**	3,188
Net losses on aluminium futures contracts	**(3,690)**	(12,897)
(Provision for)/Reversal of provision for impairment of receivables	**(49,775)**	5,550
– Trade receivables	**(3,241)**	3,216
– Other receivables	**(46,602)**	–
– Amounts due from associates	**68**	2,334
Others	**(1,853)**	(103)
	(10,736)	62,775

7 OPERATING PROFIT

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

	2009 **HK$'000**	2008 HK$'000
Cost of inventories	**5,857,951**	7,787,986
Employee benefit expense (including directors' emoluments) *(Note 13)*	**136,621**	148,491
(Reversal of write-down)/Write-down of inventories	**(230)**	142,726
Amortisation		
– Alumina purchasing rights	**138,292**	141,140
– Land use rights	**1,824**	1,773
Depreciation of property, plant and equipment	**65,972**	62,256
Operating lease rental on properties	**4,613**	4,211
Auditor's remuneration	**3,100**	3,170

Notes to the Consolidated Financial Statements

8 FINANCE INCOME AND FINANCE COSTS

	2009 HK$'000	2008 HK$'000
Finance income		
– Interest income	**24,400**	37,258
Finance costs		
– Interest on bank borrowings wholly repayable within five years	**(21,479)**	(33,485)
– Interest on bank borrowings not wholly repayable within five years	**(20,348)**	(22,560)
– Interest for discounted bills	**(3,777)**	(3,706)
– Fair value losses on interest rate swaps	**(23,794)**	(9,195)
	(69,398)	(68,946)
Less: Interest expense capitalised into construction in progress	**12,527**	7,041
	(56,871)	(61,905)
Finance costs – net	**(32,471)**	(24,647)

Capitalisation rate of 5.9% per annum (2008: 7.8%) was used, representing the weighted average rate of the cost of borrowings to finance the construction in progress.

9 INCOME TAX (EXPENSE)/CREDIT

No provision for Hong Kong profits tax has been made as the Group has tax losses brought forward to offset the assessable profit generated in Hong Kong for the year (2008: 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.

	2009 HK$'000	2008 HK$'000
Current income tax expense		
PRC corporate income tax	**(26,291)**	(40,169)
Overseas income tax	**(303)**	(3,379)
	(26,594)	(43,548)
Deferred income tax *(Note 24)*	**(13,833)**	47,171
Income tax (expense)/credit	**(40,427)**	3,623

Notes to the Consolidated Financial Statements

9 INCOME TAX (EXPENSE)/CREDIT *(cont'd)*

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the applicable tax rate to profits of the consolidated companies as follows:

	2009	2008
	HK$'000	*HK$'000*
Profit before income tax	**227,786**	16,783
Calculated at a taxation rate of 25% (2008: 25%)	**(56,947)**	(4,196)
Effect of different taxation rates in other places	**3,677**	1,355
Effect of tax exemption	**1,622**	1,062
Income not subject to tax	**61,797**	37,890
Expenses not deductible for tax purposes	**(45,701)**	(33,467)
Utilisation of previously unrecognised tax losses	**132**	979
Tax losses for which no deferred income tax asset was recognised	**(1,605)**	–
Underprovision in prior years	**(3,402)**	–
Income tax (expense)/credit	**(40,427)**	3,623

10 LOSS ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The loss attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of HK$1,114,487,000 (2008: HK$14,667,000).

Notes to the Consolidated Financial Statements

11 EARNINGS PER SHARE

(a) Basic

The calculation of basic earnings per share is based on the profit attributable to equity holders of the Company of approximately HK$181,089,000 (2008: HK$12,543,000) and the weighted average number of 2,026,385,435 (2008: 2,053,676,690) ordinary shares in issue during the year.

(b) Diluted

There were no potential dilutive ordinary shares in existence during the years ended 31 December 2009 and 2008 and hence the diluted earnings per share is the same as basic earnings per share.

12 DIVIDENDS

No interim dividend was paid (2008: Nil) and the directors do not recommend the payment of a final dividend for the year ended 31 December 2009 (2008: Nil).

13 EMPLOYEE BENEFIT EXPENSE, INCLUDING DIRECTORS' EMOLUMENTS

	2009	2008
	HK$'000	*HK$'000*
Salaries and other benefits	**104,993**	120,418
Retirement scheme contributions *(Note 37)*	**21,462**	13,945
Social security costs	**10,166**	14,128
	136,621	148,491

Notes to the Consolidated Financial Statements

14 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

The remuneration of every director for the year ended 31 December 2009 is set out below:

Name of Director	Fees *HK$'000*	Salaries *HK$'000*	Other benefits *(k)* *HK$'000*	Discretionary bonuses *HK$'000*	Total *HK$'000*
Mr. LI Fuli *(a)*	60	–	–	–	60
Mr. HAO Chuanfu	–	1,728	438	224	2,390
Mr. ZHAN Wei *(b, l)*	–	114	33	435	582
Ms. SHEN Ling	100	–	–	–	100
Mr. WANG Lixin *(c)*	100	–	–	–	100
Mr. ZONG Qingsheng	100	–	–	–	100
Mr. XU Jiqing *(d)*	60	–	–	–	60
Mr. LI Liangang *(e, l)*	7	1,166	96	830	2,099
Mr. LI Dongsheng	230	–	–	–	230
Mr. TING Leung Huel, Stephen	230	–	–	–	230
Mr. LOONG Ping Kwan *(f)*	85	–	–	–	85
Mr. ZHOU Zhongshu *(g)*	–	–	–	–	–
Mr. XU Huizhong *(g)*	864	–	338	232	1,434
Mr. REN Suotang *(h)*	–	900	371	168	1,439
Mr. CUI Hushan *(i)*	93	–	–	–	93
Mr. CHAN Wai Dune *(j)*	145	–	–	–	145
	2,074	3,908	1,276	1,889	9,147

Note:

(a) Appointed as a non-executive director on 25 May 2009 and re-designated as the chairman and a non-executive director on 1 July 2009.

(b) Appointed as an executive director on 1 November 2009.

(c) Re-designated as the vice chairman and a non-executive director on 1 July 2009. Resigned as the vice chairman on 7 December 2009 but remained as a non-executive director.

(d) Appointed as a non-executive director on 25 May 2009.

(e) Appointed as a non-executive director on 7 December 2009.

(f) Appointed as an independent non-executive director on 18 August 2009.

(g) Resigned on 1 July 2009.

(h) Resigned on 1 November 2009.

(i) Resigned on 7 December 2009.

(j) Resigned on 18 August 2009.

(k) Other benefits include housing allowances and leave pay.

(l) The directors' emoluments disclosed above also include the emoluments in respect of the services provided by the directors to certain subsidiaries of the Group prior to their appointment as the Company's director.

Notes to the Consolidated Financial Statements

14 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS *(cont'd)*

(a) Directors' emoluments *(cont'd)*

The remuneration of every director for the year ended 31 December 2008 is set out below:

Name of Director	Fees *HK$'000*	Salaries *HK$'000*	Other benefits *(f)* *HK$'000*	Discretionary bonuses *HK$'000*	Total *HK$'000*
Mr. ZHOU Zhongshu	–	–	–	–	–
Mr. XU Huizhong *(a)*	1,230	850	370	760	3,210
Mr. HAO Chuanfu *(b)*	–	1,120	184	–	1,304
Mr. REN Suotang	–	1,300	310	550	2,160
Ms. SHEN Ling	100	–	–	–	100
Mr. ZONG Qingsheng	100	–	–	–	100
Mr. WANG Lixin *(c)*	100	–	–	760	860
Mr. CUI Hushan	100	–	–	–	100
Mr. LI Dongsheng *(d)*	143	–	–	–	143
Mr. CHAN Wai Dune	230	–	–	–	230
Mr. TING Leung Huel, Stephen	218	–	–	–	218
Mr. LIU Hongru *(e)*	76	–	–	–	76
	2,297	3,270	864	2,070	8,501

Note:

(a) Re-designated as the vice chairman and a non-executive director on 28 May 2008.

(b) Appointed as an executive director on 28 May 2008.

(c) Re-designated from an executive director to a non-executive director on 1 January 2008.

(d) Appointed on 18 May 2008.

(e) Resigned on 18 May 2008.

(f) Other benefits include housing allowances and leave pay.

Notes to the Consolidated Financial Statements

14 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS *(cont'd)*

(b) Five highest-paid individuals

The five individuals whose emoluments were the highest in the Group for the year include two (2008: three) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining three (2008: two) individuals during the year are as follows:

	2009 *HK$'000*	2008 *HK$'000*
Basic salaries and other benefits	**3,742**	1,878
Housing allowances	**219**	492
Bonuses	**1,461**	550
	5,422	2,920

The emoluments fell within the following bands:

	Number of individuals	
	2009	2008
HK$1,000,001 – HK$1,500,000	**–**	1
HK$1,500,001 – HK$2,000,000	**3**	1
	3	2

During the year, no director waived any emoluments and no emoluments were paid or payable by the Group to the directors or any of the five highest-paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

Notes to the Consolidated Financial Statements

15 PROPERTY, PLANT AND EQUIPMENT

(a) The Group

	Buildings HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Office equipment HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
At 1 January 2008							
Cost or valuation	182,563	1,259	828,307	15,349	16,531	22,037	1,066,046
Accumulated depreciation and impairment	(68,900)	(1,165)	(475,611)	(6,296)	(13,780)	(16,728)	(582,480)
Net book amount	113,663	94	352,696	9,053	2,751	5,309	483,566
Year ended 31 December 2008							
Opening net book amount	113,663	94	352,696	9,053	2,751	5,309	483,566
Additions	–	2,227	3,626	4,070	1,354	363	11,640
Transfer from construction in progress *(Note 16)*	1,392	–	54,758	1,858	–	–	58,008
Disposals *(Note 40)*	–	(50)	(63)	(38)	(22)	(128)	(301)
Depreciation	(6,806)	(30)	(50,865)	(2,180)	(669)	(1,706)	(62,256)
Exchange differences	7,345	14	22,118	413	128	28	30,046
Closing net book amount	115,594	2,255	382,270	13,176	3,542	3,866	520,703
At 31 December 2008							
Cost or valuation	195,882	3,125	940,501	21,306	18,616	20,165	1,199,595
Accumulated depreciation and impairment	(80,288)	(870)	(558,231)	(8,130)	(15,074)	(16,299)	(678,892)
Net book amount	115,594	2,255	382,270	13,176	3,542	3,866	520,703

Notes to the Consolidated Financial Statements

15 PROPERTY, PLANT AND EQUIPMENT *(cont'd)*

(a) The Group *(cont'd)*

	Buildings HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Office equipment HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Year ended 31 December 2009							
Opening net book amount	115,594	2,255	382,270	13,176	3,542	3,866	520,703
Additions	291	48	1,035	563	125	3,317	5,379
Transfer from construction in progress *(Note 16)*	18,544	–	21,149	786	–	–	40,479
Acquisition of a subsidiary *(Note 39)*	–	–	15	31	–	5,325	5,371
Disposals *(Note 40)*	(21)	–	(1,423)	(8)	(1)	(978)	(2,431)
Depreciation	(6,866)	(487)	(53,029)	(3,346)	(670)	(1,574)	(65,972)
Exchange differences	–	–	(3)	–	–	–	(3)
Closing net book amount	127,542	1,816	350,014	11,202	2,996	9,956	503,526
At 31 December 2009							
Cost or valuation	214,696	3,173	957,331	22,452	18,681	24,512	1,240,845
Accumulated depreciation and impairment	(87,154)	(1,357)	(607,317)	(11,250)	(15,685)	(14,556)	(737,319)
Net book amount	127,542	1,816	350,014	11,202	2,996	9,956	503,526

The analysis of the cost or valuation of the above assets is as follows:

	Buildings HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Office equipment HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
At 31 December 2009							
At cost	214,255	3,173	957,331	22,452	18,681	24,512	1,240,404
At valuation – 1994	441	–	–	–	–	–	441
	214,696	3,173	957,331	22,452	18,681	24,512	1,240,845
At 31 December 2008							
At cost	195,441	3,125	940,501	21,306	18,616	20,165	1,199,154
At valuation – 1994	441	–	–	–	–	–	441
	195,882	3,125	940,501	21,306	18,616	20,165	1,199,595

Notes to the Consolidated Financial Statements

15 PROPERTY, PLANT AND EQUIPMENT *(cont'd)*

(b) The Company

	Buildings HK$'000	Leasehold improve-ments HK$'000	Furniture, fixtures & equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
At 1 January 2008					
Cost or valuation	441	1,165	1,118	1,861	4,585
Accumulated depreciation	(170)	(1,109)	(736)	(1,549)	(3,564)
Net book amount	271	56	382	312	1,021
Year ended 31 December 2008					
Opening net book amount	271	56	382	312	1,021
Additions	–	2,227	859	–	3,086
Disposals	–	(50)	(24)	–	(74)
Depreciation	(9)	(19)	(173)	(285)	(486)
Closing net book amount	262	2,214	1,044	27	3,547
At 31 December 2008					
Cost or valuation	441	3,030	1,690	1,861	7,022
Accumulated depreciation	(179)	(816)	(646)	(1,834)	(3,475)
Net book amount	262	2,214	1,044	27	3,547
Year ended 31 December 2009					
Opening net book amount	**262**	**2,214**	**1,044**	**27**	**3,547**
Additions	**–**	**45**	**38**	**–**	**83**
Depreciation	**(9)**	**(443)**	**(358)**	**(27)**	**(837)**
Closing net book amount	**253**	**1,816**	**724**	**–**	**2,793**
At 31 December 2009					
Cost or valuation	**441**	**3,075**	**1,632**	**1,861**	**7,009**
Accumulated depreciation	**(188)**	**(1,259)**	**(908)**	**(1,861)**	**(4,216)**
Net book amount	**253**	**1,816**	**724**	**–**	**2,793**

Notes to the Consolidated Financial Statements

15 PROPERTY, PLANT AND EQUIPMENT *(cont'd)*

(b) The Company *(cont'd)*

The analysis of the cost or valuation of the above assets is as follows:

	Buildings *HK$'000*	Leasehold improve-ments *HK$'000*	Furniture, fixtures & equipment *HK$'000*	Motor vehicles *HK$'000*	Total *HK$'000*
At 31 December 2009					
At cost	**–**	**3,075**	**1,632**	**1,861**	**6,568**
At valuation – 1994	**441**	**–**	**–**	**–**	**441**
	441	**3,075**	**1,632**	**1,861**	**7,009**
At 31 December 2008					
At cost	–	3,030	1,690	1,861	6,581
At valuation – 1994	441	–	–	–	441
	441	3,030	1,690	1,861	7,022

(c) Certain buildings with a carrying amount of HK$441,000 at 31 December 2009 (2008: HK$441,000) were revalued at 30 September 1994 on an open market value basis by an independent firm of registered professional surveyors and valuers. The Group has taken advantage of the transitional provisions set out in paragraph 80A of HKAS 16, "Property, Plant and Equipment", with the effect that such buildings are stated at their revalued amounts, which were determined prior to 30 September 1995 and have not been updated to reflect their fair values at the balance sheet date.

If such buildings were stated on historical cost basis, the amounts would be as follows:

	The Group		The Company	
	2009 *HK$'000*	2008 *HK$'000*	**2009** *HK$'000*	2008 *HK$'000*
Cost	**76**	76	**76**	76
Accumulated depreciation	**(21)**	(20)	**(21)**	(20)
	55	56	**55**	56

(d) Certain banking facilities of the Group are secured by the property, plant and equipment of the Group for the carrying amount of approximately HK$116,272,000 (2008: HK$310,534,000).

Notes to the Consolidated Financial Statements

16 CONSTRUCTION IN PROGRESS – THE GROUP

	2009 HK$'000	2008 HK$'000
At 1 January	**103,639**	13,878
Additions	**259,661**	146,861
Transfer to property, plant and equipment *(Note 15)*	**(40,479)**	(58,008)
Exchange differences	**–**	908
At 31 December	**322,821**	103,639

17 INVESTMENT PROPERTIES

	The Group		The Company	
	2009 HK$'000	2008 HK$'000	2009 HK$'000	2008 HK$'000
At 1 January	**13,110**	9,820	**10,890**	8,480
Fair value gains	**40**	3,188	**430**	2,410
Exchange differences	**–**	102	**–**	–
At 31 December	**13,150**	13,110	**11,320**	10,890

A revaluation of investment properties was performed by RHL Appraisal Limited, an independent firm of registered professional surveyors and valuers, on 31 December 2009. The valuation was prepared in accordance with the "HKIS Valuation Standards on Properties (First Edition 2005)" published by the Hong Kong Institute of Surveyors.

The investment properties of the Group and the Company are located in the PRC and held on leases of between 10 to 50 years.

Notes to the Consolidated Financial Statements

18 LAND USE RIGHTS – THE GROUP

The Group's interests in land use rights represent prepaid operating lease payments. These pieces of land are located in the PRC and held on leases of between 10 to 50 years.

	2009	2008
	HK$'000	*HK$'000*
At 1 January	**9,303**	10,425
Additions	**1,468**	6
Amortisation of prepaid operating lease payments	**(1,824)**	(1,773)
Exchange differences	**–**	645
At 31 December	**8,947**	9,303

Certain banking facilities of the Group are secured by the Group's land use rights for the carrying amount of approximately HK$3,242,000 (2008: HK$8,940,000).

19 ALUMINA PURCHASING RIGHTS – THE GROUP

	2009	2008
	HK$'000	*HK$'000*
At 1 January		
Cost	**3,634,800**	3,634,800
Accumulated amortisation and impairment	**(1,076,400)**	(889,045)
Net book amount	**2,558,400**	2,745,755
Year ended 31 December		
Opening net book amount	**2,558,400**	2,745,755
Amortisation	**(138,292)**	(141,140)
Provision for impairment	**–**	(46,215)
Closing net book amount	**2,420,108**	2,558,400
At 31 December		
Cost	**3,634,800**	3,634,800
Accumulated amortisation and impairment	**(1,214,692)**	(1,076,400)
Net book amount	**2,420,108**	2,558,400

Notes to the Consolidated Financial Statements

19 ALUMINA PURCHASING RIGHTS – THE GROUP *(cont'd)*

The alumina purchasing rights represent the Group's rights to source alumina from a third party supplier, amounting to approximately 400,000 tonnes per annum up to mid-2027, at prices which correlate to the production costs of the supplier.

The Group's alumina purchasing rights have been pledged to a bank to secure certain banking facilities of the Group.

20 INTERESTS IN SUBSIDIARIES

	The Company	
	2009	2008
	HK$'000	*HK$'000*
Investments in subsidiaries		
Unlisted shares/investments at cost	**2,473,818**	3,954,075
Less: Provision for impairment	**(3,318)**	(3,005)
	2,470,500	3,951,070
Amounts due from subsidiaries *(Note (i))*	**1,652,762**	1,759,028
Less: Provision for impairment	**(956,957)**	(972,342)
	695,805	786,686
	3,166,305	4,737,756
Loans to subsidiaries *(Note (ii))*	**57,000**	614,000
Amounts due to subsidiaries *(Note (iii))*	**(13,223)**	(1,064,871)

Note:

(i) The amounts due from subsidiaries are unsecured, interest-free and have no fixed repayment terms.

(ii) Except for a loan of approximately HK$500,000,000 as at 31 December 2008 which was interest-free, the loans to subsidiaries are unsecured and denominated in Renminbi, bear interest at prevailing market interest rates and have repayment terms of less than one year.

(iii) Except for an amount due to a subsidiary of HK$1,001,556,000 as at 31 December 2008 which is not repayable within the next twelve months, the amounts due to subsidiaries are unsecured, interest-free and repayable on demand. These balances are mainly denominated in Hong Kong dollars.

Notes to the Consolidated Financial Statements

20 INTERESTS IN SUBSIDIARIES *(cont'd)*

The following is a list of the principal subsidiaries as at 31 December 2009:

Name of company	Place of incorporation/ operation	Principal activities	Particulars of issued or paid up capital	Proportion of issued capital held by the Company	
				Directly	Indirectly
Minmetals Aluminium Company Limited [2]	The PRC	Trading of alumina and other aluminium products	RMB2,380,000,000	100%	–
Sino Mining International Limited	Cayman Islands	Investment holding	115,000,000 shares of US$1 each [1]	–	100%
Sino Mining Alumina Limited	Cayman Islands	Purchase and supply of alumina	85,000,000 shares of US$1 each [1]	–	100%
Minmetals Resources Copper Company Limited	Hong Kong	Trading of non-ferrous metals	28,800 shares of HK$100 each [1]	100%	–
Minmetals Resources Aluminium Company Limited	Hong Kong	Trading of non-ferrous metals	28,800 shares of HK$100 each [1]	100%	–
Orienmet Industry Company Limited	Hong Kong	Investment holding	5,000,000 shares of HK$1 each [1]	100%	–
North China Aluminium Company Limited [3]	The PRC	Production and sale of aluminium foils and extrusions	RMB478,100,000	–	72.8%
Yingkou Orienmet Plica Tube Company Limited [3]	The PRC	Production and sale of plica tubes	US$4,000,000	–	51%
Minmetals Non-ferrous Lianyungang Company Limited [2]	The PRC	Provision of logistics services	RMB1,000,000	–	100%

Note:

1. The class of shares held is ordinary.
2. Wholly foreign-owned enterprises registered under the PRC law. Statutory financial statements of these entities are not audited by PricewaterhouseCoopers.
3. Sino-foreign equity joint ventures registered under the PRC law. Statutory financial statements of these entities are not audited by PricewaterhouseCoopers.

Notes to the Consolidated Financial Statements

21 INTERESTS IN JOINTLY-CONTROLLED COMPANIES – THE GROUP

	2009 *HK$'000*	2008 *HK$'000*
Share of net assets at 1 January	**899,226**	117,136
Share of jointly-controlled companies' results		
– Profit/(Loss) before income tax	**44,532**	(68,340)
– Income tax (expense)/credit	**(25,660)**	12,797
	18,872	(55,543)
Capital injection into jointly-controlled companies	**84,577**	17,550
Acquisition of a jointly-controlled company	**–**	796,040
Dividends received	**(7,472)**	(11,889)
Exchange differences	**94**	35,932
	96,071	782,090
Share of net assets at 31 December	**995,297**	899,226
Goodwill	**224,313**	224,313
Amount due from a jointly-controlled company *(Note)*	**18**	2,329
Interests in jointly-controlled companies at 31 December	**1,219,628**	1,125,868

Note: The amount due from a jointly-controlled company is unsecured, interest-free and has no fixed repayment terms.

Notes to the Consolidated Financial Statements

21 INTERESTS IN JOINTLY-CONTROLLED COMPANIES – THE GROUP *(cont'd)*

The Group's share of the results of its jointly-controlled companies, all of which are unlisted, and its aggregated assets and liabilities and capital commitments are as follows:

Name	Place of Incorporation	Assets HK$'000	Liabilities HK$'000	Revenues HK$'000	Profit/(Loss) HK$'000	Capital commitments HK$'000	Interest held
2009							
Changzhou Jinyuan Copper Company Limited [1]	The PRC	683,680	499,104	2,709,678	39,051	4,661	36.29%
Guangxi Huayin Aluminium Company Limited [2]	The PRC	3,176,236	2,365,520	878,994	(18,929)	87,278	33%
Mincenco Limited [3]	Jamaica	12	7	–	(1,250)	–	51%
		3,859,928	2,864,631	3,588,672	18,872	91,939	
2008							
Changzhou Jinyuan Copper Company Limited [1]	The PRC	708,343	599,906	3,243,406	(4,395)	39,338	36%
Guangxi Huayin Aluminium Company Limited [2]	The PRC	3,396,089	2,605,300	644,184	(33,598)	–	33%
Mincenco Limited [3]	Jamaica	972	7,860	–	(17,550)	–	51%
		4,105,404	3,213,066	3,887,590	(55,543)	39,338	

Note:

1 Sino-foreign equity joint venture registered under the PRC law.

2 Limited liability company incorporated under the PRC law.

3 Limited liability company incorporated in Jamaica.

In relation to the goodwill of a jointly-controlled company as at 31 December 2009, the Group has performed an impairment test in accordance with the accounting policy stated in Note 2.9.

The recoverable amount of the investment in a jointly-controlled company, to which the goodwill relates, is determined based on a value-in-use calculation. The cash flow projection used in the value-in-use calculation is based on a one-year budget approved by management. Cash flows beyond the one year period are extrapolated for 10 years using the estimated growth rates which not exceeding the long-term average growth rates for the business in which the jointly-controlled company operates. Other key assumptions applied in the impairment tests include the expected production cost and other related expenses. Management determined these key assumptions based on past performance and its expectations on market development. The discount rate applied to the cash flow projection is 12% and it reflects specific risks relating to the jointly-controlled company. The directors are of the opinion that there was no impairment of goodwill at 31 December 2009.

The directors believe that any reasonably foreseeable change in any of the key assumptions would not cause the carrying amount of goodwill to exceed the recoverable amount.

Notes to the Consolidated Financial Statements

21 INTERESTS IN JOINTLY-CONTROLLED COMPANIES – THE GROUP *(cont'd)*

The Company provided a corporate guarantee of RMB36,000,000 (equivalent to approximately HK$41,040,000 (2008: RMB36,000,000 (equivalent to approximately HK$ 41,040,000)) to a bank in respect of a banking facility granted to a jointly-controlled company.

There are no contingent liabilities relating to the Group's interest in the jointly-controlled companies, and no contingent liabilities of the jointly-controlled companies themselves.

22 INTERESTS IN ASSOCIATES – THE GROUP

	2009	2008
	HK$'000	*HK$'000*
Share of net assets at 1 January	**85,732**	80,407
Share of associates' results		
– Profit before income tax	**19,229**	30,039
– Income tax expense	**(5,220)**	(7,565)
	14,009	22,474
Associate reclassified as subsidiary as a result of the acquisition of additional interest by the Group *(Note(i))*	**(1,855)**	–
Dividends received	**(22)**	(1,969)
Exchange differences	**19,399**	(15,180)
	31,531	5,325
Share of net assets at 31 December	**117,263**	85,732
Amounts due from associates *(Note(ii))*	**24,982**	32,320
Provision for impairment	**(23,752)**	(28,805)
	1,230	3,515
Interests in associates at 31 December	**118,493**	89,247

Note:

(i) After the completion of capital injection by the Group on 5 November 2009, the Group's equity interest in Zhuozhou Yin Fa Transportation Company Limited ("Yin Fa") increased from 48.5% to 65%. As a result, Yin Fa has been consolidated into the Group's financial statements since then. Further details for this business combination are set out in Note 39.

(ii) The amounts due from associates are unsecured, interest-free and have no fixed repayment terms.

Notes to the Consolidated Financial Statements

22 INTERESTS IN ASSOCIATES – THE GROUP *(cont'd)*

The Group's share of the results of its principal associates, all of which are unlisted, and its aggregated assets and liabilities, are as follows:

Name	Place of incorporation	Assets *HK$'000*	Liabilities *HK$'000*	Revenues *HK$'000*	Profit *HK$'000*	Interest held
2009						
Qingdao M. C. Packaging Limited [1]	The PRC	48,854	21,704	62,499	4,790	20%
Sino Nickel Pty Ltd [2]	Australia	97,399	7,286	321,758	8,474	40%
2008						
Qingdao M. C. Packaging Limited [1]	The PRC	48,791	26,429	69,302	7,921	20%
Sino Nickel Pty Ltd [2]	Australia	89,582	27,343	442,464	13,652	40%

Note:

1. Sino-foreign equity joint venture registered under the PRC law.
2. Limited liability company incorporated in Australia.

On 15 September 2009, the directors of the Company approved a plan to dispose of the Group's 42% equity interest held in Yantai Penghui Copper Industry Company Limited, an associate engaging in the production and sale of copper cathodes. The Group is actively negotiating with a buyer and expects a sale and purchase agreement will be entered into within 12 months from the approval date of the plan. Accordingly, the carrying amount of the interest in this associate was re-classified to non-current asset held for sale in these consolidated financial statements. This re-classification does not have material impact on the Group's consolidated financial statements as full provision had already been made for this associate and the net carrying amount was nil at the balance sheet date.

Notes to the Consolidated Financial Statements

23 AVAILABLE-FOR-SALE FINANCIAL ASSETS – THE GROUP

	2009	2008
	HK$'000	*HK$'000*
At 1 January	**309,790**	476,084
Additions	**–**	41,805
Disposals	**(309,790)**	–
Fair value losses recognised in equity *(Note 32)*	**–**	(208,099)
At 31 December	**–**	309,790

Available-for-sale financial assets represent:

	2009	2008
	HK$'000	*HK$'000*
Listed equity securities – Australia	**–**	309,790
Market value of listed securities	**–**	309,790

During the year ended 31 December 2009, the Group disposed 11,492,912 ordinary shares of Sino Gold Mining Limited to certain independent third parties for an aggregate consideration of approximately Australian dollars 62,265,000 (equivalent to approximately HK$386,749,000). The disposal resulted in a net gain of approximately HK$214,722,000 (2008: Nil) and amount of HK$137,762,000 was transferred from available-for-sale financial assets reserve to the income statement.

24 DEFERRED INCOME TAX – THE GROUP

Deferred income tax is calculated in full on temporary differences under the liability method using the tax rates enacted or substantively enacted by the balance sheet date.

(a) The movements on the deferred income tax assets/(liabilities) account are as follows:

	Alumina purchasing rights		Write-down of inventories		Impairment of other assets		Fair value changes in derivative financial instruments		Others		Total	
	2009 ***HK$'000***	2008 *HK$'000*	**2009** ***HK$'000***	2008 *HK$'000*	**2009** ***HK$'000***	2008 *HK$'000*	**2009** ***HK$'000***	2008 *HK$'000*	**2009** ***HK$'000***	2008 *HK$'000*	**2009** ***HK$'000***	2008 *HK$'000*
At 1 January	**(125,618)**	(132,019)	**33,228**	–	**20,510**	16,874	**6,677**	–	**(3,757)**	(1,681)	**(68,960)**	(116,826)
Credited/(Charged) to the income statement *(Note 9)*	**9,556**	6,401	**(33,152)**	33,228	**(44)**	2,928	**9,583**	6,677	**224**	(2,063)	**(13,833)**	47,171
Exchange differences	**–**	–	**–**	–	**–**	708	**–**	–	**–**	(13)	**–**	695
At 31 December	**(116,062)**	(125,618)	**76**	33,228	**20,466**	20,510	**16,260**	6,677	**(3,533)**	(3,757)	**(82,793)**	(68,960)

Notes to the Consolidated Financial Statements

24 DEFERRED INCOME TAX – THE GROUP *(cont'd)*

(b) Deferred income tax assets are recognised for tax losses available for being carried forward to the extent that the realisation of the related tax benefits through the future taxable profits is probable. The Group has unrecognised tax losses of approximately HK$266 million (2008: HK$261 million) to carry forward against future taxable income. Deferred income tax assets for these tax losses are not recognised as the future realisation is uncertain. The tax losses do not expire under current tax legislation.

As at 31 December 2009, the deferred income tax assets in respect of the above tax losses which have not been recognised amounted to HK$44 million (2008: HK$43 million).

(c) Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income taxes relate to income tax levied by the same taxation authority on either the taxation entity or different taxation entities, there is an intention to settle the balances on a net basis. The following amounts, determined after appropriate offsetting, are shown in the balance sheet:

	2009 ***HK$'000***	2008 *HK$'000*
Deferred income tax assets	**39,826**	60,027
Deferred income tax liabilities	**(122,619)**	(128,987)
	(82,793)	(68,960)

25 INVENTORIES – THE GROUP

	2009 ***HK$'000***	2008 *HK$'000*
Raw materials	**119,457**	93,545
Work in progress	**187,195**	170,723
Finished goods	**84,636**	122,920
Commodities held for sales	**588,067**	306,719
	979,355	693,907

The cost of inventories recognised as expense and included in cost of sales amounting to HK$5,857,951,000 (2008: HK$7,787,986,000). As at 31 December 2009, reversal of write-down of inventories of HK$230,000 (2008: write-down of HK$142,726,000) has been recognised in the consolidated income statement within cost of sales.

As at 31 December 2009, certain banking facilities of the Group were secured by the Group's inventories with a carrying amount of HK$247,024,000 (2008: HK$156,750,000).

Notes to the Consolidated Financial Statements

26 TRADE AND BILLS RECEIVABLES – THE GROUP

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 the aluminium fabrication and other industrial operations, sales are normally made with credit periods ranging from 30 to 90 days. The aging analysis of the trade receivables is as follows:

	2009		2008	
	HK$'000	*%*	*HK$'000*	*%*
Trade receivables				
Less than 6 months	**193,795**	**78**	175,754	76
6 months – 1 year	**5,909**	**2**	7,022	3
Over 1 year	**48,874**	**20**	48,317	21
	248,578	**100**	231,093	100
Less: Provision for impairment	**(49,877)**		(48,011)	
Trade receivables – net	**198,701**		183,082	
Bills receivable *(Note)*	**615,284**		592,947	
	813,985		776,029	

Note: Bills receivable are with maturity of less than 6 months. As at 31 December 2009, bills receivable of approximately HK$398,059,000 (2008: HK$527,562,000) were discounted to banks or endorsed to suppliers.

As at 31 December 2009, the Group's trade receivables included an amount of HK$18,409,000 (2008: Nil), which was due from a related company of the Group.

Notes to the Consolidated Financial Statements

26 TRADE AND BILLS RECEIVABLES – THE GROUP *(cont'd)*

The carrying amounts of the Group's trade and bills receivables are denominated in the following currencies:

	2009 **HK$'000**	2008 *HK$'000*
Renminbi	**743,868**	673,677
United States dollars	**70,117**	102,352
	813,985	776,029

Movements on the provision for impairment of trade receivables are as follows:

	2009 **HK$'000**	2008 *HK$'000*
At 1 January	**48,011**	57,472
Provision for/(Reversal of provision for) impairment of receivables	**3,241**	(3,216)
Receivables written off as uncollectible	**(1,375)**	(7,904)
Exchange differences	**–**	1,659
At 31 December	**49,877**	48,011

As at 31 December 2009, trade receivables of HK$49,877,000 were impaired (2008: HK$48,011,000). The aging analysis of these receivables is as follows:

	2009 **HK$'000**	2008 *HK$'000*
Less than 6 months	**795**	281
6 months – 1 year	**207**	1,174
1 – 2 years	**3,357**	2,286
Over 2 years	**45,518**	44,270
	49,877	48,011

Notes to the Consolidated Financial Statements

26 TRADE AND BILLS RECEIVABLES – THE GROUP *(cont'd)*

As at 31 December 2009, trade receivables of HK$13,454,000 (2008: HK$18,383,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The aging analysis of these receivables is as follows:

	2009	2008
	HK$'000	*HK$'000*
Less than 3 months	**8,451**	12,051
3 – 6 months	**5,003**	6,332
	13,454	18,383

27 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES – THE GROUP

	2009	2008
	HK$'000	*HK$'000*
Prepayments to suppliers for purchase of inventories	**178,159**	512,214
Prepayments for construction of plant and equipment	**22,552**	57,561
Cash accounts kept at futures brokerage firms	**141,428**	48,168
Value added tax refundable	**108,626**	65,376
Other receivables, net *(Note)*	**65,595**	23,958
Other prepayments	**5,954**	8,948
	522,314	716,225
Less: Non-current portion of prepayments to suppliers for purchase of inventories	**–**	(177,840)
	522,314	538,385

Note: As at 31 December 2009, the Group's other receivables included an amount due from an aluminium smelter of approximately HK$49,020,000, net of provision for impairment (2008: Nil), representing certain prepayments previously made by the Group for its tolling operation and were re-designated as other receivables upon the cancellation of the tolling contracts with this aluminium smelter. As at 31 December 2009, the gross amount of these receivables was approximately HK$98,040,000. In view of the uncertainty of the recoverability of these receivables, a specific provision for impairment of approximately HK$49,020,000 (2008: Nil) was provided for during the year ended 31 December 2009. As at 31 December 2009, a power generation unit of this aluminium smelter was pledged as collateral for these receivables.

As at 31 December 2009, the prepayments, deposits and other receivables of the Group included an amount of HK$39,161,000 (2008: HK$47,842,000), which was due from fellow subsidiaries of the Group.

Notes to the Consolidated Financial Statements

28 DERIVATIVE FINANCIAL INSTRUMENTS – THE GROUP

	2009		2008	
	Assets	**Liabilities**	Assets	Liabilities
	HK$'000	***HK$'000***	*HK$'000*	*HK$'000*
Carried at fair value				
– Aluminium futures contracts	**4,253**	**67,868**	3,925	27,349
– Interest rate swaps	**–**	**10,694**	–	27,407
	4,253	**78,562**	3,925	54,756

The derivative financial instruments are analysed as follows:

	2009		2008	
	Assets	**Liabilities**	Assets	Liabilities
	HK$'000	***HK$'000***	*HK$'000*	*HK$'000*
Non-current portion				
– Interest rate swaps	**–**	**–**	–	7,426
Current portion				
– Aluminium futures contracts	**4,253**	**67,868**	3,925	27,349
– Interest rate swaps	**–**	**10,694**	–	19,981
	4,253	**78,562**	3,925	47,330
Total	**4,253**	**78,562**	3,925	54,756

Notes to the Consolidated Financial Statements

28 DERIVATIVE FINANCIAL INSTRUMENTS – THE GROUP *(cont'd)*

(a) Aluminium futures contracts

The table below sets out the details of the outstanding aluminium futures contracts as at 31 December 2009 and 2008.

	2009		2008	
	Contract type		Contract type	
	Buy	**Sell**	Buy	Sell
Quantity *(tonnes)*	**5,625**	**37,595**	10,040	7,625
Notional principal amount *(HK$ million)*	**90**	**652**	161	108

(b) Interest rate swaps

The total notional principal amount of the outstanding interest rate swaps as at 31 December 2009 was approximately HK$429 million (2008: HK$476 million).

As at 31 December 2009, the fixed interest rate was 5.325% (2008: 5.325%) per annum and the principal floating rate was 3-month London Interbank Offered Rate.

29 TIME DEPOSITS – THE GROUP

Time deposits represent the deposits with banks with initial terms of maturity over three months. The weighted average effective interest rate as at 31 December 2009 was 1.0% (2008: Nil). These deposits have an average maturity of 291 days (2008: Nil). The balance is denominated in the following currencies:

	2009	2008
	HK$'000	*HK$'000*
Renminbi	**100,388**	–
United States dollars	**118,382**	–
	218,770	–

Notes to the Consolidated Financial Statements

30 CASH AND CASH EQUIVALENTS AND PLEDGED BANK DEPOSITS

	The Group		The Company	
	2009	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Cash and cash equivalents				
– Cash at bank and in hand	**1,348,990**	1,458,506	**25,203**	75,160
– Money market funds	**5,130**	–	**–**	–
– Short-term bank deposits	**359,973**	409,206	**290,459**	271,353
	1,714,093	1,867,712	**315,662**	346,513
Pledged bank deposits	**35,361**	38,176	**–**	–

The weighted average effective interest rate on short-term bank deposits as at 31 December 2009 was 0.4% (2008: 2.1%). These deposits have an average maturity of 48 days (2008: 16 days).

Certain banking facilities of the Group are secured by the pledged bank deposits.

The carrying amounts of the cash and cash equivalents are denominated in the following currencies:

	The Group		The Company	
	2009	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Renminbi	**451,158**	530,118	**387**	183
United States dollars	**823,435**	1,045,191	**295,813**	88,425
Hong Kong dollars	**25,437**	258,113	**19,456**	257,905
Australian dollars	**414,058**	33,253	**1**	–
Others	**5**	1,037	**5**	–
	1,714,093	1,867,712	**315,662**	346,513

The carrying amounts of pledged bank deposits are denominated in Renminbi.

Notes to the Consolidated Financial Statements

31 SHARE CAPITAL

	Number of ordinary shares		Nominal value	
	2009	2008	**2009**	2008
	(in thousand)	*(in thousand)*	***HK$'000***	*HK$'000*
Authorised:				
Ordinary shares of HK$0.05 each				
at 1 January and 31 December	**6,000,000**	6,000,000	**300,000**	300,000
Issued and fully paid:				
At 1 January	**2,029,105**	2,058,721	**101,455**	102,936
Shares repurchased and cancelled during the year	**(2,088)**	(30,116)	**(104)**	(1,506)
Shares repurchased in 2008 and cancelled in 2009	**(800)**	–	**(40)**	–
Issue of new shares under share option scheme	**–**	500	**–**	25
At 31 December	**2,026,217**	2,029,105	**101,311**	101,455

For the year ended 31 December 2009, the Company repurchased 2,088,000 shares of its own shares from the market. The repurchased shares were cancelled during the year. Pursuant to Section 49H of the Hong Kong Companies Ordinance, an amount equivalent to the nominal value of the repurchased and cancelled shares of approximately HK$144,000 was transferred from retained profits to capital redemption reserve. The premium paid and expenses incurred in relation to the above shares repurchased as well as 800,000 shares repurchased in 2008 and subsequently cancelled in the current year, amounting to approximately HK$3,016,000 and HK$30,000 respectively, were deducted from the retained profits.

Set out below are the particulars of repurchases by the Company of its own shares made on The Stock Exchange of Hong Kong Limited during the year.

Month of repurchase	**Number of shares repurchased *(in thousand)***	**Highest price paid per share *HK$***	**Lowest price paid per share *HK$***	**Aggregate price paid *HK$'000***
January 2009	**2,088**	**1.18**	**1.03**	**2,291**

Notes to the Consolidated Financial Statements

32 RESERVES

(a) The Group

	Share premium HK$'000	Capital reserve HK$'000	Special capital reserve *(Note 32(c)(iii))* 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	Asset revaluation surplus HK$'000	Capital redemption reserve HK$'000	Share options reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 January 2009	3,941,469	87,020	72,848	15,600	147,604	147,159	137,762	(27,407)	–	1,506	19,341	1,447,722	5,990,624
Profit for the year	–	–	–	–	–	–	–	–	–	–	–	181,089	181,089
Other comprehensive income/(loss)													
Transfer to income statement on disposal of available-for-sale financial assets	–	–	–	–	–	–	(137,762)	–	–	–	–	–	(137,762)
Cash flow hedge	–	–	–	–	–	–	–	19,981	–	–	–	–	19,981
Currency translation differences	–	–	–	–	–	29,975	–	–	–	–	–	–	29,975
Total comprehensive income for the year	–	–	–	–	–	29,975	(137,762)	19,981	–	–	–	181,089	93,283
Transactions with owners													
Repurchase of the Company's shares *(Note 31)*	–	–	–	–	–	–	–	–	–	144	–	(3,191)	(3,047)
Transfer (from)/to reserves	–	–	–	(15,600)	3,365	–	–	–	–	–	–	12,235	–
Transfer upon lapse of share options	–	–	–	–	–	–	–	–	–	–	(19,341)	19,341	–
Increase in fair values of proportionate holding of an associate *(Note 39)*	–	–	–	–	–	–	–	–	728	–	–	–	728
Total transactions with owners	–	–	–	(15,600)	3,365	–	–	–	728	144	(19,341)	28,385	(2,319)
At 31 December 2009	3,941,469	87,020	72,848	–	150,969	177,134	–	(7,426)	728	1,650	–	1,657,196	6,081,588

Notes to the Consolidated Financial Statements

32 RESERVES *(cont'd)*

(a) The Group *(cont'd)*

	Share premium HK$'000	Capital reserve HK$'000	Special capital reserve (Note 32(c)(iii)) 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	Capital redemption reserve HK$'000	Share options reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 January 2008	3,939,662	48,380	69,084	15,600	179,884	74,887	345,861	(17,175)	–	19,810	1,529,163	6,205,156
Profit for the year	–	–	–	–	–	–	–	–	–	–	12,543	12,543
Other comprehensive income/(loss)												
Fair value losses on available-for-sale financial assets *(Note 23)*	–	–	–	–	–	–	(208,099)	–	–	–	–	(208,099)
Cash flow hedge	–	–	–	–	–	–	–	(10,232)	–	–	–	(10,232)
Currency translation differences	–	–	–	–	–	72,272	–	–	–	–	–	72,272
Total comprehensive loss for the year	–	–	–	–	–	72,272	(208,099)	(10,232)	–	–	12,543	(133,516)
Transactions with owners												
Issue of shares under share option scheme	1,807	–	–	–	–	–	–	–	–	(469)	–	1,338
Repurchase of the Company's shares *(Note 31)*	–	–	–	–	–	–	–	–	1,506	–	(32,379)	(30,873)
Dividends paid	–	–	–	–	–	–	–	–	–	–	(51,481)	(51,481)
Transfer to reserve for the undertaking given by the Company	–	–	3,764	–	–	–	–	–	–	–	(3,764)	–
Transfer to/(from) reserves	–	38,640	–	–	(32,280)	–	–	–	–	–	(6,360)	–
Total transactions with owners	1,807	38,640	3,764	–	(32,280)	–	–	–	1,506	(469)	(93,984)	(81,016)
At 31 December 2008	3,941,469	87,020	72,848	15,600	147,604	147,159	137,762	(27,407)	1,506	19,341	1,447,722	5,990,624

Notes to the Consolidated Financial Statements

32 RESERVES *(cont'd)*

(b) The Company

	Share premium HK$'000	Capital reserve HK$'000	Special capital reserve (Note 32(c)(iii)) HK$'000	Capital redemption reserve HK$'000	General reserve HK$'000	Share options reserve HK$'000	Retained profits/ (Accumulated losses) HK$'000	Total HK$'000
At 1 January 2008	3,939,662	48,380	69,084	–	15,600	19,810	558,517	4,651,053
Issue of shares under share option scheme	1,807	–	–	–	–	(469)	–	1,338
Repurchase of the Company's shares	–	–	–	1,506	–	–	(32,379)	(30,873)
Transfer to reserve for the undertaking given by the Company	–	–	3,764	–	–	–	(3,764)	–
Loss for the year	–	–	–	–	–	–	(14,667)	(14,667)
Dividends paid	–	–	–	–	–	–	(51,481)	(51,481)
At 31 December 2008	**3,941,469**	**48,380**	**72,848**	**1,506**	**15,600**	**19,341**	**456,226**	**4,555,370**
Transfer upon lapse of share options	**–**	**–**	**–**	**–**	**–**	**(19,341)**	**19,341**	**–**
Repurchase of the Company's shares	**–**	**–**	**–**	**144**	**–**	**–**	**(3,191)**	**(3,047)**
Transfer (from)/to reserve	**–**	**–**	**–**	**–**	**(15,600)**	**–**	**15,600**	**–**
Loss for the year	**–**	**–**	**–**	**–**	**–**	**–**	**(1,114,487)**	**(1,114,487)**
At 31 December 2009	**3,941,469**	**48,380**	**72,848**	**1,650**	**–**	**–**	**(626,511)**	**3,437,836**

(c) Nature and purpose of reserves

(i) Share premium and capital redemption reserve

The application of the share premium account and the capital redemption reserve is governed by sections 48B and 49H respectively of the Hong Kong Companies Ordinance.

(ii) Capital reserve

The capital reserve comprises the following:

– A debt of HK$48,380,000 was waived by Coppermine Resources Limited, the previous immediate holding company of the Company, upon the completion of the Company's debt restructuring on 12 January 2004; and

Notes to the Consolidated Financial Statements

32 RESERVES *(cont'd)*

(c) Nature and purpose of reserves *(cont'd)*

(ii) Capital reserve (cont'd)

– The transfer of HK$38,640,000 from the PRC statutory reserves in 2008 as a result of North China Aluminium Company Limited, a non-wholly owned subsidiary in the PRC, utilised part of its PRC statutory reserves to increase its registered capital.

(iii) Special capital reserve

In relation to the capital reorganisation as confirmed by the high court of the Hong Kong Special Administrative Region on 13 February 2007, the Company has provided an undertaking ("Undertaking") for its petition to the court that as long as any debt or liability of claim against the Company as at the effective date of this capital reorganisation remains outstanding, the Company should credit the following amounts to a special reserve (the "Special Reserve"):

– All retained profits, if any, accruing to the Company between 1 November 2006 and 13 February 2007 (the effective date of the above mentioned capital reorganisation);

– 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

– 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. As at 31 December 2009, the standing to the credit of the Company's special capital reserve, which had been made in accordance with the Undertaking, amounted to approximately HK$72,848,000 (2008: HK$72,848,000).

Notes to the Consolidated Financial Statements

32 RESERVES *(cont'd)*

(c) Nature and purpose of reserves *(cont'd)*

(iv) PRC statutory reserves

PRC statutory reserves comprise statutory reserve fund and enterprise expansion reserve, which are reserves required by the relevant PRC laws applicable to the Group's subsidiaries and cannot be used for distribution in the form of cash dividends.

For the Group's subsidiaries registered under the PRC law on Joint Ventures with Chinese and Foreign Investment, the appropriations to statutory reserve fund and enterprise expansion reserve are determined at the discretion of the board of directors of the respective subsidiaries.

For the Group's subsidiaries registered under the PRC law on Enterprises Operated Exclusively with Foreign Capital, the appropriations to statutory reserve fund and enterprise expansion reserve are determined at the discretion of the board of directors of the respective subsidiaries. However, the appropriation to statutory reserve fund should not be less than 10% of their profit after income tax as stated in the PRC statutory financial statements unless the statutory reserve fund reaches 50% of their registered capital.

The statutory reserve fund can be used to set off accumulated losses whilst the enterprise expansion reserve can be used for expansion of production facilities or to increase the capital of the subsidiaries upon approval by the regulatory authority.

(v) Exchange translation reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations as well as the effective portion of any foreign exchange differences arising from hedges of the net investment in these foreign operations. The reserve is dealt with in accordance with the accounting policies set out in Note 2.4(c).

(vi) Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of hedging instruments used in cash flow hedges pending subsequent recognition of the hedged cash flow in accordance with the accounting policy adopted for cash flow hedges in Note 2.12(b).

Notes to the Consolidated Financial Statements

32 RESERVES *(cont'd)*

(c) Nature and purpose of reserves *(cont'd)*

(vii) Asset revaluation surplus

In 2009, the Group acquired a subsidiary through piecemeal acquisition (Note 39). Asset revaluation surplus represents the increase in fair value of the identifiable net assets attributable to the initial interest held by the Group immediately before the completion of the piecemeal acquisition in the acquired business.

(d) Distributability of reserves

At 31 December 2009, the Company did not have reserves available for distribution to shareholders (2008: HK$471,826,000).

33 DEFERRED INCOME – THE GROUP

	2009	2008
	HK$'000	*HK$'000*
At 1 January	**23,967**	25,064
Government grants obtained	**18,924**	–
Amortisation *(Note 6)*	**(2,736)**	(2,688)
Exchange differences	**–**	1,591
At 31 December	**40,155**	23,967

Deferred income represents grants obtained from the PRC government in relation to the construction of a new production line and the purchase of certain plant and machinery by the Group.

Notes to the Consolidated Financial Statements

34 BANK BORROWINGS – THE GROUP

	2009 HK$'000	2008 HK$'000
Amount due within one year and included under current liabilities	**368,371**	306,720
Amount due after one year	**641,573**	541,860
Total bank borrowings	**1,009,944**	848,580
Analysed as:		
– Secured	**673,644**	814,380
– Unsecured	**336,300**	34,200
	1,009,944	848,580
Bank borrowings are repayable as follows:		
– Within 1 year	**368,371**	306,720
– Between 1 and 2 years	**152,273**	105,487
– Between 2 and 5 years	**243,000**	194,573
– Repayable within 5 years	**763,644**	606,780
– Over 5 years	**246,300**	241,800
	1,009,944	848,580

An analysis of the carrying amounts of the bank borrowings by type and currency is as follows:

	2009 HK$'000	2008 HK$'000
Renminbi ("RMB")		
– at fixed rates	**240,084**	235,980
– at floating rates	**340,860**	136,800
	580,944	372,780
United States dollars ("US$")		
– at floating rates	**429,000**	475,800
	1,009,944	848,580

Notes to the Consolidated Financial Statements

34 BANK BORROWINGS – THE GROUP *(cont'd)*

The effective interest rates at the balance sheet date were as follows:

	2009		2008	
	US$	**RMB**	US$	RMB
Bank borrowings	**1.06%**	**5.67%**	2.23%	7.63%

As at 31 December 2009, the bank borrowings of the Group were secured by:

(i) equity interests in a wholly-owned subsidiary, Sino Mining Alumina Limited ("Sino Mining") and the assets of Sino Mining;

(ii) certain property, plant and equipment, land use rights and inventories of the Group with a total carrying amount of approximately HK$366,538,000 (2008: HK$476,224,000); and

(iii) pledged bank deposits of approximately HK$35,361,000 (2008: HK$38,176,000).

35 FINANCIAL GUARANTEE GIVEN TO A JOINTLY-CONTROLLED COMPANY – THE GROUP AND THE COMPANY

In relation to a financial guarantee of RMB36,000,000 (equivalent to approximately HK$41,040,000 (2008: RMB36,000,000 (equivalent to approximately HK$41,040,000)) given by the Company to a bank for a loan granted to a jointly-controlled company of the Group, no recognition was made in these financial statements as the fair value of this guarantee was not material.

Notes to the Consolidated Financial Statements

36 TRADE PAYABLES – THE GROUP

The aging analysis of the trade payables is as follows:

	2009		2008	
	HK$'000	***%***	*HK$'000*	*%*
Trade payables				
Less than 6 months	**305,292**	**97**	354,788	98
6 months – 1 year	**7,766**	**2**	3,787	1
Over 1 year	**977**	**1**	3,496	1
	314,035	**100**	362,071	100
Trade payables under endorsed bills	**202,656**		440,265	
	516,691		802,336	

As at 31 December 2009, the Group's trade payables included an amount of HK$29,541,000 (2008: Nil), which was due to a related company of the Group.

37 RETIREMENT SCHEMES

The Group provides retirement benefits to all Hong Kong eligible employees under the Mandatory Provident Fund (the "MPF Scheme"). Under the MPF Scheme, the Group and their employees make monthly contributions to the MPF Scheme at 5% of the employees' salaries as defined under the Mandatory Provident Fund legislation. Contributions of both the Hong Kong subsidiaries and their employees are subject to a maximum of HK$1,000 per month and thereafter contributions are voluntary and are not subject to any limitation. The MPF Scheme is administered by an independent trustee and its assets are held separately from those of the Group.

In accordance with applicable PRC regulations, the PRC staff of the Group participates in retirement benefit plans organised by the provincial and municipal governments, under which the Group and its employees are both required to contribute an amount to the plan at the rate specified in the rules of such plans. The Group has no other material obligations for the payment of retirement benefit associated with such plans other than the required contributions. The contributions arising from the PRC provincial and municipal government retirement benefit plans are charged to the consolidated income statement of the Group, and represent contributions paid or payable by the Group at the rate specified in the rules of the plan.

Notes to the Consolidated Financial Statements

37 RETIREMENT SCHEMES *(cont'd)*

The Group contributes to a superannuation fund for all Australian employees, which is established to provide benefits for employees and their dependants in retirement, disabilities or death. The superannuation plan requires defined contributions by reference to accumulated contributions plus income from fund contributed. In accordance with the applicable regulation in Australia, the Group is obliged to contribute a minimum of 9% of an employee's earnings base to a complying superannuation fund or retirement savings account.

The Group's total contributions to these schemes for the year ended 31 December 2009 amounted to approximately HK$21,462,000 (2008: HK$13,945,000).

38 SHARE OPTION SCHEME

Pursuant to a share option scheme adopted by the Company on 28 May 2004, certain share options were granted to the directors and employees of the Group on 18 April 2006. No share option was granted under this scheme during the years ended 31 December 2009 and 2008.

The following table discloses the details of the outstanding share options held by the eligible participants and the movements in such holdings during the year.

				Number of options		
Category and name of participant	**Date of grant**	**Exercise price per share** *HK$*	**Exercise period**	**Balance as at 1 January 2009**	**Lapsed during the year**	**Balance as at 31 December 2009**
Directors						
Zhou Zhongshu	18 April 2006	2.725	18 April 2006 to 17 April 2009	3,000,000	(3,000,000)	–
Xu Huizhong	18 April 2006	2.725	18 April 2006 to 17 April 2009	2,600,000	(2,600,000)	–
Shen Ling	18 April 2006	2.725	18 April 2006 to 17 April 2009	1,500,000	(1,500,000)	–
Zong Qingsheng	18 April 2006	2.725	18 April 2006 to 17 April 2009	1,500,000	(1,500,000)	–
Wang Lixin	18 April 2006	2.725	18 April 2006 to 17 April 2009	2,000,000	(2,000,000)	–
Employees of the Group	18 April 2006	2.725	18 April 2006 to 17 April 2009	8,000,000	(8,000,000)	–
				18,600,000	(18,600,000)	–

Notes to the Consolidated Financial Statements

39 BUSINESS COMBINATION

After the completion of the capital injection of approximately RMB1,568,000 (equivalent to approximately HK$1,787,000) on 5 November 2009, the Group increased its equity interest in Yin Fa, an associate owned as to 48.5% by the Group previously, to 65%. Yin Fa has been consolidated into the Group's consolidated financial statements since then. Prior to the capital injection, Yin Fa was equity accounted for as an interest in an associate.

Yin Fa is a limited liability company incorporated in the PRC. Its principal business is the provision of transportation services. Subsequent to the completion of the above capital injection and up to the year-end of 2009, Yin Fa contributed revenue of HK$5,715,000 and net profit of HK$240,000 to the Group. If the above capital injection had occurred on 1 January 2009, the Group's revenue and profit for the year ended 31 December 2009 would have been HK$6,240,563,000 and HK$187,612,000 respectively.

Details of net assets acquired and goodwill are as follows:

	HK$'000
Purchase consideration	
– paid in cash	556
– settled by transfer of assets	1,231
	1,787
Fair value of net assets acquired (see below)	(2,040)
Negative goodwill	253

The negative goodwill of HK$253,000 in relation to the above business combination is recognised in the consolidated income statement within other (losses)/gains – net.

Notes to the Consolidated Financial Statements

39 BUSINESS COMBINATION *(cont'd)*

The assets and liabilities arising from the acquisition are as follows:

	Acquiree's carrying amount *HK$'000*	Fair value *HK$'000*
Property, plant and equipment	3,885	5,371
Inventories	576	576
Trade and other receivables	2,645	2,661
Cash and cash equivalents	168	168
Trade and other payables	(308)	(308)
Other liabilities	(1,355)	(1,355)
Net assets	5,611	7,113
Less: Share of net assets by the Group as reported under the equity method of accounting prior to the acquisition *(Note 22)*		(1,855)
Minority interest		(2,490)
Asset revaluation surplus *(Note 32)*		(728)
Net assets acquired		2,040
Purchase consideration settled in cash		(556)
Cash and cash equivalents acquired		168
Net cash outflow on acquisition		(388)

In April 2008, the Group acquired 33% equity interest in Guangxi Huayin Aluminium Company Limited, a jointly-controlled company that engages in the production and sale of alumina and related products, for a purchase consideration of HK$1,012,482,000. Goodwill of HK$216,442,000 was created on this acquisition.

Notes to the Consolidated Financial Statements

40 NOTES TO CONSOLIDATED CASH FLOW STATEMENT

Reconciliation of profit for the year to net cash (used in)/generated from operations is as follows:

	2009 HK$'000	2008 HK$'000
Profit for the year	**187,359**	20,406
Adjustments for:		
– Income tax expense/(credit)	**40,427**	(3,623)
– Share of profits less losses of jointly-controlled companies	**(18,872)**	55,543
– Share of profits of associates	**(14,009)**	(22,474)
– Interest income	**(24,400)**	(37,258)
– Interest expense	**33,077**	52,710
– Depreciation of property, plant and equipment and amortisation of land use rights	**67,796**	64,029
– (Gain)/Loss on disposal of property, plant and equipment (see below)	**(1,062)**	168
– (Reversal of write-down)/Write-down of inventories	**(230)**	142,726
– Provision for/(Reversal of provision for) impairment of receivables	**49,843**	(3,216)
– Negative goodwill recognised	**(253)**	–
– Fair value gains on investment properties	**(40)**	(3,188)
– Amortisation of deferred income	**(2,736)**	(2,688)
– Amortisation of alumina purchasing rights	**138,292**	141,140
– Provision for impairment of alumina purchasing rights	**–**	46,215
– Provision for losses in a jointly-controlled company	**–**	6,071
– Gain on disposal of available-for-sale financial assets	**(214,722)**	–
Changes in working capital (excluding the effects of acquisition and exchange differences on consolidation):		
– Amounts due from a jointly-controlled company and associates	**4,596**	3,329
– Inventories	**(284,642)**	(72,122)
– Trade and bills receivables and prepayments, deposits and other receivables	**(20,791)**	(46,049)
– Trade payables and accruals, receipts in advance and other payables	**61,368**	(57,523)
– Deferred income	**18,924**	–
– Derivative financial instruments	**43,459**	36,517
– Amounts due to holding companies	**818**	(5,467)
– Amounts due to fellow subsidiaries	**2,999**	(2,456)
– Amounts due to a jointly-controlled company and an associate	**(198,909)**	200,065
Net cash (used in)/generated from operations	**(131,708)**	512,855

Notes to the Consolidated Financial Statements

40 NOTES TO CONSOLIDATED CASH FLOW STATEMENT *(cont'd)*

In the cash flow statement, proceeds from sale of property, plant and equipment comprise:

	2009 **HK$'000**	2008 *HK$'000*
Net book amount *(Note 15)*	**2,431**	301
Gain/(Loss) on disposal of property, plant and equipment	**1,062**	(168)
Proceeds from disposal of property, plant and equipment	**3,493**	133

41 COMMITMENTS

(a) Operating leases

The Group leases various warehouses, offices and factory premises under non-cancellable operating leases. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	The Group	
	2009 **HK$'000**	2008 *HK$'000*
Not later than one year	**4,065**	4,171
Later than one year but not later than five years	**8,448**	1,442
Later than five years	**2,325**	–
	14,838	5,613

Notes to the Consolidated Financial Statements

41 COMMITMENTS *(cont'd)*

(b) Capital commitments

As at 31 December 2009, the Group had the following capital commitments not provided for:

	The Group	
	2009	2008
	HK$'000	*HK$'000*
Property, plant and equipment *(Note)*		
Authorised but not contracted for	**28,132**	–
Contracted but not provided for	**26,671**	282,976
	54,803	282,976

Note: The capital commitments are for the upgrade and expansion of the Group's production facilities in aluminium fabrication business.

42 RELATED PARTY TRANSACTIONS

The directors of the Company consider the immediate holding company to be Top Create Resources Limited, a company incorporated in the British Virgin Islands; the intermediate holding company to be China Minmetals Non-ferrous Metals Company Limited, a company incorporated in the PRC; and the ultimate holding company to be China Minmetals Corporation, a company incorporated in the PRC.

China Minmetals Corporation itself is a state-owned enterprise and is controlled by the PRC government, which also owns a significant portion of productive assets in the PRC. In accordance with HKAS 24 "Related Party Disclosures" issued by the Hong Kong Institute of Certified Public Accountants, other state-owned enterprises and their subsidiaries (other than subsidiaries of China Minmetals Corporation), directly or indirectly controlled by the PRC government, are also defined as related parties of the Group. On that basis, related parties include China Minmetals Corporation and its related companies, other state-owned enterprises and their subsidiaries directly or indirectly controlled by the PRC government, the Company's jointly-controlled companies and associates, and key management personnel of the Company and China Minmetals Corporation as well as their close family members.

Notes to the Consolidated Financial Statements

42 RELATED PARTY TRANSACTIONS *(cont'd)*

For the purpose of the related party transactions disclosure, the Group has identified, to the extent practicable, its customers and suppliers as to whether they are state-owned enterprises. However, many state-owned enterprises have a multi-layered corporate structure and the ownership structure may also change over time as a result of the transfers and privatisation programmes. Nevertheless, management believes that all material related party transactions and balances have been adequately disclosed.

Material transactions with related parties during the year are as follows:

(a) Transactions with jointly-controlled companies and associates of the Group

	2009 **HK$'000**	2008 HK$'000
Revenue		
Interest income from a jointly-controlled company	–	706
Rental income from an associate	**192**	577
Expenses		
Purchases of non-ferrous metals from a jointly-controlled company *(Note (i))*	**781,349**	640,065
Transportation fees to an associate	**21,682**	23,863

Note:

(i) The purchases were made with Guangxi Huayin Aluminium Company Limited, a 33%-owned jointly-controlled company of the Group. Details of the transactions can be referred to the Company's announcement dated 4 December 2009. The transactions constituted connected transactions and continuing connected transactions as defined under the Listing Rules.

Notes to the Consolidated Financial Statements

42 RELATED PARTY TRANSACTIONS *(cont'd)*

(b) Transactions with China Minmetals Corporation and its related companies (other than those within the Group)

	2009 ***HK$'000***	2008 *HK$'000*
Revenue		
Sales of non-ferrous metals to a related company	**219,388**	–
Sales of non-ferrous metals to a fellow subsidiary *(Note (i))*	**–**	56,750
Expenses		
Construction contract fees to a fellow subsidiary *(Note (ii))*	**2,736**	46,881
Transportation fees to fellow subsidiaries *(Note (iii))*	**988**	4,320
Rental to fellow subsidiaries *(Note (iv))*	**2,112**	2,065
Commission fees to fellow subsidiaries *(Note (iv))*	**16**	95
Purchases of non-ferrous metals from a related company	**479,099**	–
Financial guarantees provided by ultimate holding company for the bank loans granted to a subsidiary	**336,300**	–

Note:

(i) The sales were made to Suzhou Huameida Aluminium Co. Ltd., a wholly owned subsidiary of the Company's ultimate holding company, by a subsidiary of the Company. Details of the transactions can be referred to the Company's announcement dated 22 January 2008. The transactions constituted continuing connected transactions as defined under the Listing Rules.

(ii) The construction contract fees were paid to Ershisanye Construction Group Co., Ltd. ("Ershisanye"), a non-wholly owned subsidiary of the Company's ultimate holding company, by a subsidiary of the Company. Details of the transactions can be referred to the Company's announcement dated 20 March 2008. The transactions constituted connected transactions as defined under the Listing Rules.

(iii) The transportation fees were paid by the Company's subsidiaries to Minmetals Logistics & Forwarding Tianjian Company Limited, a non-wholly owned subsidiary of the Company's ultimate holding company. Details of the transactions can be referred to the Company's announcement dated 6 November 2008. The transactions constituted continuing connected transactions as defined under the Listing Rules.

(iv) De minimis transactions entered into in the usual course of business and under normal commercial terms, exempted from all the reporting, announcement and independent shareholders' approval requirements by virtue of rule 14A.31 of the Listing Rules.

Notes to the Consolidated Financial Statements

42 RELATED PARTY TRANSACTIONS *(cont'd)*

(c) Transactions with other state-owned enterprises

	2009 HK$'000	2008 HK$'000
Revenue		
Sales of non-ferrous metals	**1,244,964**	2,661,404
Expenses		
Purchases of non-ferrous metals	**2,113,800**	2,237,386

(d) Year-end balances

	2009 HK$'000	2008 HK$'000
Receivables from, net		
– a jointly-controlled company	**18**	2,329
– associates	**1,230**	3,515
– fellow subsidiaries	**39,161**	47,842
– other state-owned enterprises	**115,819**	418,156
Payables to		
– a jointly-controlled company	**1,156**	199,974
– an associate	**–**	91
– intermediate and ultimate holding companies	**818**	–
– fellow subsidiaries	**3,219**	220
– a related company	**29,541**	–
– other state-owned enterprises	**142,569**	42,128

Note:

(i) Details of the balances with a jointly-controlled company and associates are disclosed in Notes 21 and 22.

(ii) The amounts due from/to fellow subsidiaries are unsecured, interest-free and repayable within twelve months.

Notes to the Consolidated Financial Statements

42 RELATED PARTY TRANSACTIONS *(cont'd)*

(e) Key management compensation

	2009 **HK$'000**	2008 HK$'000
Salaries and other short-term employee benefits	**15,809**	17,297

In the opinion of the directors, the related party transactions described above were carried out in the ordinary course of business at terms mutually agreed between the Group and the respective related parties.

43 EVENT AFTER BALANCE SHEET DATE

On 28 January 2010, Minmetals Aluminium Company Limited ("Minmetals Aluminium"), a wholly-owned subsidiary of the Company, entered into an agreement for a capital injection of approximately RMB71,325,000 (equivalent to approximately HK$81,311,000) into its 33%-owned jointly-controlled company, Guangxi Huayin Aluminium Company Limited ("Guangxi Huayin"). Minmetals Aluminium settled the above capital injection in cash on 29 January 2010 and immediately after this, its equity interest in Guangxi Huayin remained unchanged at 33%.

Five-Year Financial Summary

	2009 HK$'000	2008 HK$'000	2007 HK$'000	2006 HK$'000	2005 HK$'000
Results – The Group					
Revenue	**6,215,828**	8,450,300	7,337,175	10,627,800	3,332,765
Operating profit	**227,376**	80,570	942,056	510,851	216,925
Finance income	**24,400**	37,258	83,252	44,241	12,197
Finance costs	**(56,871)**	(61,905)	(111,874)	(58,368)	(26,555)
Share of post-tax profits less losses of jointly-controlled companies	**18,872**	(55,543)	14,311	7,590	–
Provision for losses in a jointly-controlled company	**–**	(6,071)	(817)	–	–
Share of post-tax profits less losses of associates	**14,009**	22,474	34,259	29,870	25,046
Profit before income tax	**227,786**	16,783	961,187	534,184	227,613
Income tax (expense)/credit	**(40,427)**	3,623	(99,373)	344,425	(24,532)
Profit for the year	**187,359**	20,406	861,814	878,609	203,081
Attributable to:					
Equity holders of the Company	**181,089**	12,543	845,658	865,321	181,746
Minority interest	**6,270**	7,863	16,156	13,288	21,335
	187,359	20,406	861,814	878,609	203,081

Note: The Group has changed from using the "Proportionate consolidation method" to "Equity method" to account for its interests in jointly-controlled companies since 1 January 2008. Figures for 2007 and 2006 have been restated to conform with this change in accounting policy.

Five-Year Financial Summary

	2009 HK$'000	2008 HK$'000	2007 HK$'000	2006 HK$'000	2005 HK$'000
Assets and liabilities – The Group					
Property, plant and equipment, investment properties, land use rights and construction in progress	**848,444**	646,755	517,689	523,484	536,327
Interest in jointly-controlled companies	**1,219,628**	1,125,868	117,136	99,043	55,599
Interest in associates	**118,493**	89,247	87,242	48,398	29,517
Alumina purchasing rights	**2,420,108**	2,558,400	2,745,755	2,622,149	3,894,461
Inventories	**979,355**	693,907	744,747	492,596	943,797
Trade and bills receivables	**813,985**	776,029	625,235	530,516	502,170
Cash and bank deposits	**1,968,224**	1,905,888	2,736,530	2,610,733	987,745
Available-for-sale financial assets	**–**	309,790	476,084	450,933	313,663
Other assets	**580,199**	804,065	660,573	166,053	261,230
Total assets	**8,948,436**	8,909,949	8,710,991	7,543,905	7,524,509
Capital and reserve attributable to equity holders of the Company	**6,182,899**	6,092,079	6,308,092	4,225,381	3,081,023
Minority interest	**200,363**	193,134	251,828	220,206	203,019
Total equity	**6,383,262**	6,285,213	6,559,920	4,445,587	3,284,042
Bank borrowings	**1,009,944**	848,580	697,651	827,400	1,151,318
Trade and bills payables	**516,691**	802,336	766,053	565,965	475,628
Advances from banks for discounted bills	**195,403**	87,297	49,514	53,590	55,779
Convertible bonds	**–**	–	–	980,137	–
Provision for sales contract obligations	**–**	–	–	–	1,058,658
Other liabilities	**843,136**	886,523	637,853	671,226	1,499,084
Total liabilities	**2,565,174**	2,624,736	2,151,071	3,098,318	4,240,467
Total equity and liabilities	**8,948,436**	8,909,949	8,710,991	7,543,905	7,524,509
Net current assets	**2,534,261**	2,012,677	3,213,166	1,855,199	91,860
Total assets less current liabilities	**7,187,609**	6,987,453	7,204,573	5,619,120	4,656,924

五礦資源有限公司
MINMETALS RESOURCES LIMITED