



# 五礦資源有限公司

MINMETALS RESOURCES LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 1208)

## ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2008

### Financial Highlights

	Six months ended 30 June		Change
	2008	2007	
	<i>HK\$ million</i>	<i>HK\$ million</i>	
Revenue	4,500	3,507	+28%
Profit attributable to equity holders of the Company	190	451	-58%
Earnings per share - Basic	HK 9.24 cents	HK 26.1 cents	-65%
Interim dividend per share	-	HK 0.5 cent	

	At 30 June	At 31 December	Change
	2008	2007	
	<i>HK\$ million</i>	<i>HK\$ million</i>	
Total assets	9,781	8,711	+12%
Shareholders' funds	6,515	6,308	+3%

## CHAIRMAN'S MESSAGE

During the first half of 2008, the Group faced severe operating environment. Accelerating global energy prices had led to increased cost of imported alumina and had thus exerted downward pressure on the gross profit margin of the Group's alumina trading business. Despite increase in volume of alumina trading business and satisfactory performance in other business segments, the Group's overall results were adversely affected. The Group recorded a revenue of HK\$4,500,490,000 and profit attributable to equity holders of the Company of HK\$190,297,000 for the six months ended 30 June 2008. Earnings per share for profit attributable to equity holders of the Company was HK 9.24 cents.

The Group's trading business faced with growing output of alumina in the PRC in the past few years and soaring fuel costs, which exerted pressure on the gross profit margin of the alumina trading business. By leveraging on its edge in the industry, the trading business managed to identify new growth driver and achieved upsurge in trading volume under an austere competitive environment. The Group adopts a flexible sales approach in order to avoid the risk arisen from severe market volatility and lock up its profit in a turbulent market. The Group further strengthened its emphasis on market research and swift operations adjustment to keep pace with the changing market momentum. Following the commencement of production in Guangxi Huayin Aluminium Company Limited ("Guangxi Huayin"), the Group controls alumina resources from both the PRC and overseas. Through centralised allocation of such resources, the Group can have more diversified and flexible operational approaches.

In aluminium resources exploration and operation integration, the Group completed the acquisition of a 33% equity interest in Guangxi Huayin at the end of April 2008. Guangxi Huayin is one of the largest and the most advanced alumina refinery plant in the PRC. The construction of the production lines with an annual production capacity of 1,600,000 tonnes has been completed and the production lines have commenced operation. The project's production capacity is allocated to Guangxi Huayin shareholders in proportion to their equity interests. The Group is entitled to approximately 500,000 tonnes of alumina per annum from Guangxi Huayin. Together with 400,000 tonnes of imported alumina sourced through the Alcoa contract, such resources provide the Group's trading business with a stable alumina supply domestically and abroad. This constitutes a major step in the Group's up-stream and down-stream integration in the aluminium business chain. Regarding the project for exploration of bauxite mine and establishment of alumina refining facility in Jamaica, it has moved into a full feasibility study which, if successful, could result in a project decision by the end of 2009. Regarding an agreement signed last year for the purchase of a 20% equity interest in Qinghai Province Investment Group Limited, completion of the acquisition is conditional upon fulfillment of conditions precedent.

The Group's 67.31% owned subsidiary, North China Aluminium Company Limited ("NCA"), delivered satisfactory results during the period under review. The construction of facilities to expand NCA's aluminium fabrication production capability progresses smoothly. It is expected that its annual production capacity will increase by 25,000 tonnes to 105,000 tonnes by early 2009. The application regarding capital injection of RMB98,800,000 to support the construction of NCA's new production plant is awaiting the approval from relevant authorities in the PRC. Upon completion, the Group's equity stake in NCA will be further increased to approximately 73%.

For the copper fabrication business, the Group has changed its accounting policy on accounting for its 36% owned jointly-controlled company, Changzhou Jinyuan Copper Company Limited (“Changzhou Jinyuan”), from proportionate consolidation to equity method of accounting with effective from 1 January 2008. In order to enhance the competitiveness of its products to meet the rapid growth in domestic demand for high quality copper rods in the PRC, Changzhou Jinyuan has decided to establish an advanced copper rod production line with a 300,000-tonne annual production capacity, which will further enlarge its capacity and support its expansion of product range and future development. The total investment of the project will be RMB200,000,000. Construction of the new facilities is expected to be completed in 2010, and operation will commence in the same year.

The Group’s strategies are to continue riding on alumina and aluminium trading business and to expedite integration and expansion of resources and fabrication segments in the business supply chain, leveraging its competitive edges. We will cultivate new investment projects and develop businesses which the Group has profound niches and distinctive competitiveness. Capitalising on its status as China Minmetals Corporation’s overseas platform for its non-ferrous metals businesses, the Group will gradually develop into an international metals and mining conglomerate. Based on a solid platform of accumulated strength and sound business strategy, the Board of Directors is fully confident with the Group’s business prospects.

**ZHOU Zhongshu**  
*Chairman*

5 September 2008

The board of directors (the “Board”) of Minmetals Resources Limited (the “Company”) herewith announces the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2008. This interim financial information has been reviewed by the Company’s audit committee and the Company’s auditor, PricewaterhouseCoopers, in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. The auditor based on their review, concluded that nothing has come to their attention that causes them to believe that the interim financial information is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”. The auditor’s independent review report will be included in the interim report to the shareholders of the Company.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **OVERVIEW**

By putting forward investments in up-stream and down-stream operations in the first-half of 2008, the Group has moved a further step forward to a more integrated supply chain covering resources, trading and fabrication. During the period, the Group completed the acquisition of 33% stake in Guangxi Huayin Aluminium Company Limited and a further 16.31% stake in North China Aluminium Company Limited. The former move could enable the Group to participate in up-stream operation - bauxite exploration and alumina production, while the latter could help to strengthen the Group’s existing down-stream business - aluminium fabrication.

The Group’s revenue showed satisfactory growth for the first six months of 2008. Consolidated revenue increased by 28.3% to HK\$4,500.5 million (2007: HK\$3,506.9 million) but this was more than offset by the upsurge of imported alumina cost and other operating expenses. This, together with no similar one-off gain of HK\$75.6 million (write-back of provision for impairment of alumina purchasing rights of HK\$257.6 million less fair value losses on convertible bonds of HK\$182.0 million) was booked in the current period as in the first-half of 2007, caused the Group’s net profit decreased by 57.8% to HK\$190.3 million (2007: HK\$451.0 million). Basic earnings per share were HK 9.24 cents for the first-half of 2008, as compared to HK 26.1 cents for the same period in 2007.

### **FINANCIAL REVIEW**

#### **Change in accounting policy**

The Group has changed its accounting policy on jointly-controlled companies from proportionate consolidation to equity method for financial periods beginning on or after 1 January 2008. This new accounting policy has been applied retrospectively and certain comparative figures for 2007 are restated accordingly. However, such change would not have any impact on the Group’s consolidated net assets as at 31 December 2007 and the Group’s consolidated net profit as well as the basic and diluted earnings per share for the six months ended 30 June 2007. For further details, please refer to Note 2(a) to the Condensed Consolidated Financial Information.

## Revenue

	Six months ended 30 June		Increase/(Decrease)	
	2008	2007		
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	%
Trading	3,593.2	2,705.1	888.1	32.8
Aluminium fabrication	1,222.9	986.1	236.8	24.0
Other operations	13.1	17.1	(4.0)	(23.4)
Inter-segment elimination	(328.7)	(201.4)		
Total	4,500.5	3,506.9	993.6	28.3

Continuous growth in revenue from trading and aluminium fabrication segments was driven by strong demand in aluminium products across various sectors in the PRC, especially in the construction, transportation, packaging and publishing sectors. The results reflected our strategy to ride on our expertise in alumina and aluminum trading and to expand further in different segments along the aluminium business chain. Revenues from trading and aluminium fabrication segments rose 32.8% and 24.0% respectively primarily as a result of 16.0% increase in trading volume of alumina and 12.5% increase in sales volume from aluminium fabrication segment.

## Gross profit

Due to the decrease in gross profit margin, the Group's gross profit for the six months ended 30 June 2008 plunged by 31.4% to HK\$358.0 million (2007: HK\$521.8 million). Overall gross profit margin reduced from 14.9% in the first-half of 2007 to 8.0% in the first-half of 2008, mainly due to the reduction in gross profit margin of the core businesses – trading of alumina and aluminium ingots.

During the period, aluminium and alumina prices struggled in an oversupplied market in the PRC but surging fuel prices provided no relief on the cost side. In the period under review, the Group in particular faced the following adverse operating environments: (i) imported cost of alumina ran high because of rising fuel costs; (ii) increase in supply of domestically-produced alumina in the PRC, though slower than previous two years, still remained on the high side; and (iii) decreased demand for alumina as a result of the disruption in production of certain PRC aluminium smelters after snow storms in Southern China in early 2008 has caused a price slide of alumina.

## Selling expenses

For the six months ended 30 June 2008, the Group's selling expenses increased by 43.1% to HK\$53.1 million (2007: HK\$37.1 million). Because of the escalating transportation charge and other logistics costs, selling expenses to revenue ratio raised from 1.1% to 1.2%.

## Administrative expenses

During the period, the Group's administrative expenses rose by 41.8% to HK\$98.7 million (2007: HK\$69.6 million). The increase was mainly due to: (i) increased business expenses as a result of higher sales and production volume; and (ii) inflated labour and other running costs. Administrative expenses to revenue ratio increased from 2.0% to 2.2%.

## Other gains - net

Other gains – net increased from HK\$19.9 million in the first-half of 2007 to HK\$24.6 million in the first-half of 2008. Such gains mainly comprised: (i) net exchange gains of HK\$69.0 million (2007: HK\$48.0 million) as a result of the appreciation of Renminbi against other currencies; and (ii) net losses on aluminium forward/futures contracts of HK\$43.2 million (2007: HK\$30.5 million) arising from the derivative instruments entered into by the Group from time to time to mitigate the commodity price risk. The losses on derivative instruments represented the aggregate of both realised gains/losses and mark-to-market fair value adjustments.

## Finance costs - net

Finance costs – net decreased by HK\$32.5 million to HK\$10.4 million (2007: HK\$42.9 million) in the first-half of 2008. The decrease was mainly attributable to: (i) no interest on convertible bonds was recorded in the first-half of 2008 (2007: HK\$42.6 million) as the conversion of outstanding bonds had been completed in 2007; and (ii) decrease in interest income because of lower interest rate and less surplus cash was kept in the first-half of 2008.

## Share of post-tax profits less losses of jointly-controlled and associated companies

The Group's share of post-tax profits less losses of jointly-controlled and associated companies decreased by HK\$10.9 million to HK\$25.4 million for the six months ended 30 June 2008 (2007: HK\$36.3 million). The contributions from the major jointly-controlled and associated companies are as follows:

Jointly-controlled/Associated company	Interest held	Six months ended 30 June	
		2008	2007
		HK\$ million	HK\$ million
Sino Nickel	40%	8.3	18.7
Changzhou Jinyuan	36%	14.6	15.4
Guangxi Huayin	33%	0.8	-
Qingdao M.C. Packaging	20%	2.3	2.1
Others		(0.6)	0.1
Share of post-tax profits less losses of jointly-controlled and associated companies		25.4	36.3

- Sino Nickel - Average selling price of nickel concentrate spiralled down by more than 30% compared to the last corresponding period, thereby lowered the profit margin on its trading business.
- Changzhou Jinyuan - Increased revenues from sales of copper rods and copper wires were more than offset by higher finance and other operating costs, so profit decreased by approximately 5%.
- Guangxi Huayin - Only commenced production in June 2008, so no material contribution was provided during the period.
- Qingdao M.C. Packaging - Profit from aluminum cans production improved due to reduced raw material costs and sales growth.

## SEGMENTAL ANALYSIS

### Trading

		Six months ended		Increase/	
		30 June		(Decrease)	
		2008	2007	%	
<b>External revenue</b>	(HK\$ million)				
Alumina		<b>2,429.1</b>	1,874.8	554.3	29.6
Aluminium ingot		<b>835.3</b>	628.9	206.4	32.8
Others		<b>2.0</b>	2.2	(0.2)	(9.1)
<b>Total</b>		<b>3,266.4</b>	2,505.9	760.5	30.3
<b>Sales volume</b>	('000 tonnes)				
Alumina		<b>630</b>	543	87	16.0
Aluminium ingot		<b>49</b>	37	12	32.4
<b>Average selling price</b>	(HK\$ per tonne)				
Alumina		<b>3,856</b>	3,451	405	11.7
Aluminium ingot		<b>17,182</b>	16,997	185	1.1
<b>Segment result</b>	(HK\$ million)	<b>235.9</b>	670.4	(434.5)	(64.8)

Market price of alumina in the PRC rebounded to RMB3,600 per tonne in the first quarter of 2007 after hitting a low level of RMB2,500 per tonne by end of 2006. Price then edged up to RMB3,900 per tonne and maintained at that level till end of the first-half in 2007.

For the first-half in 2008, alumina price in the PRC stood firm at approximately RMB4,200 per tonne but subsequently lost its strength to RMB3,500 level coming close to June 2008.

Climbing global energy prices increased the cost of imported alumina as well as transportation cost. London Market Exchange ("LME") aluminium price increased sharply in the first quarter of 2008 surpassing US\$3,000 per tonne level and stayed at high level till end of the first-half. This also exerted cost pressure on prices for those alumina procurements based on percentages of LME prices. All those factors adversely affected the gross profit margin of the Group's alumina trading business.

Despite the rising costs and increase in domestic alumina production in the PRC, the Group can manage to expand the trading volume by leveraging on its leadership position in the imported alumina market and capitalising its strength in tolling operation for aluminium ingots.

The Group reversed a provision for impairment in alumina purchasing rights amounting to HK\$257.6 million for the first-half of 2007. Having stripped out the impact of this provision written back last year, segment result for the six months ended 30 June 2008 decreased by 42.9% to HK\$235.9 million.

## Aluminium Fabrication

		Six months ended		Increase/	
		30 June		(Decrease)	
		2008	2007		
				%	
<b>External revenue</b>	(HK\$ million)	<b>1,222.9</b>	985.5	237.4	24.1
<b>Sales volume</b>	('000 tonnes)	<b>45</b>	40	5	12.5
<b>Segment result</b>	(HK\$ million)	<b>26.6</b>	31.8	(5.2)	(16.4)

The Group's aluminium fabrication business continued to enjoy the growth momentum carried forward from last year. With the extended effort on enhancing production management and meeting customers' needs, aluminium fabrication segment delivered impressive year-on-year increases of 24.1% in external revenue and 12.5% in sales volume for the first six months of 2008.

Among the wide range of key product categories, growth in sales of aluminium foil stock was most remarkable. Aluminium foil stock is an intermediate product produced from aluminium ingot which can be further processed to light gauge aluminium foil. The superior quality of our aluminium foil stock enabled our fabrication business to become one of the leading suppliers of other high-end aluminium foil manufacturers in the PRC. Dynamic procurement policy together with continued cost containment exercise also delivered fruit results to increase gross profit margin. However, earnings growth driven by higher sales volume and gross margin enhancement was offset by the increase in staff cost, research and development expenses as well as other operating costs.

The construction of a new aluminium foil production plant is underway. It is anticipated that the construction will be completed by early 2009 and will add additional 25,000 tonnes of annual aluminium foil production capacity. This investment will add capacity as well as production flexibility which will then underpin sustainable growth and development.

## Other operations

Sales and production of plica tubes (flexible metals conduits) accounted for the major contribution in this segment, followed by port logistics services.

For the six months ended 30 June 2008, external revenue and segment result generated from plica tubes business amounted to HK\$10.7million (2007: HK\$13.1 million) and HK\$2.8 million (2007: HK\$2.3 million) respectively. Market competition remained keen for the first-half. Improved segment result was achieved by proactive marketing strategies and more stringent cost-control measures.



## **OTHER FINANCIAL INFORMATION**

### **Financial Resources and Liquidity**

The Group continued to be in a strong financial and liquidity position for the six months end 30 June 2008. In the half-year under review, total assets and shareholders' equity increased by 12.3% and 3.3% respectively to HK\$9,781.1 million and HK\$6,514.6 million respectively as at 30 June 2008. Current ratio stated high at 2.0 by the end of June 2008 (31 December 2007: 3.1).

As at 30 June 2008, the Group was in a net cash position of HK\$654.6 million, representing cash and bank deposits of HK\$1,984.6 million less total borrowings of HK\$1,330.0 million (comprising bank borrowings of HK\$1,278.3 million and advances from banks for bills discounted of HK\$51.7 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\$1,984.6 million at 30 June 2008, were mainly maintained in Hong Kong dollars (21%), Renminbi (40%) and US dollars (37%).

As at 30 June 2008, the profile of the Group's bank borrowings was as follows:

- (1) 27% were in Renminbi and 73% in US dollars;
- (2) 61% were in fixed rate and 39% were in floating rate;
- (3) 54% were repayable within 1 year, 4% were repayable between 1 and 2 years, 21% were repayable between 2 and 5 years and 21% were repayable after 5 years.

### **Significant Investments Held**

During the six months ended 30 June 2008, the Group subscribed approximately 1.3 million shares of Sino Gold Limited ("Sino Gold") in accordance with a pro-rata entitlement offer of 2 shares for every 15 shares held, thereby increasing the Group's shares in Sino Gold to approximately 11.4 million. As at 30 June 2008, those shares had a carrying value of approximately HK\$496.9 million. Sino Gold is a gold mining company with primary listing in Australia and secondary listing in Hong Kong.

### **Material Acquisitions and Disposals**

In mid-January 2008, the Group completed the acquisition of 16.31% interest in North China Aluminium Company Limited ("NCA"), a non-wholly owned subsidiary of the Group engaging in the production of aluminium foils and extrusions, and increased its equity interest in NCA to 67.31%.

By the end of April 2008, the Group completed the acquisition of 33% interest in Guangxi Huayin Aluminium Company Limited, a jointly-controlled company engaged in the production and sale of alumina and related products.

Except for the above, there was no material acquisition or disposal of investments by the Group for the six months ended 30 June 2008.

### **Contingent Liabilities**

The Group had no material contingent liability as at 30 June 2008.

## **Capital Expenditure and Commitments**

The Group incurred capital expenditure of approximately HK\$28.6 million for six months ended 30 June 2008, 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 30 June 2008 amounted to HK\$983.0 million, of which HK\$445.7 million was related to the construction of a new aluminium foils production line in NCA and the expansion of other production facilities for the Group's fabrication businesses. The remaining balance of HK\$537.3 million was related to the acquisition of equity interest in Qinghai Province Investment Group Limited.

## **Charge on Assets**

As at 30 June 2008, 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 as well as land use rights of the Group with a total carrying amount of approximately HK\$329.4 million; and
- (3) Bank deposits of approximately HK\$40.7 million.

## **Risk Management**

Same as previous years, the Group has entered into derivative contracts to mitigate the following major risk exposures arising from its operating activities.

### **(a) Commodity price risk**

To make its trading and fabrication business less vulnerable to the fluctuations of aluminium price, the Group has entered into aluminium forward/futures contracts from time to time. At 30 June 2008, the Group had a short position in aluminium forward/futures contracts, amounting to approximately 16,650 tonnes of aluminium.

### **(b) Interest rate risk**

To reduce the impact of interest rate fluctuation on its operation, the Group has arranged interest rate swaps of certain floating-rate bank borrowings into fixed-rate borrowings. The outstanding principal amount of interest rate swaps amounted to approximately HK\$499.2 million at 30 June 2008.

### **(c) Foreign exchange risk**

The Group's foreign exchange risk exposure primarily lies on its operations in Hong Kong, Mainland China and Australia. 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 risk for transactions conducted in these two currencies. However, exchange rate fluctuations between Renminbi or Australian dollars and Hong Kong dollars could affect the Group's performance and asset value. The Group had no outstanding foreign exchange forward contracts at 30 June 2008.

## **Human Resources**

At 30 June 2008, the Group's total headcount stood at approximately 2,530 (not including employees of jointly-controlled and associated companies), of which 16 were based in Hong Kong, 12 in Australia and the remaining in Mainland China. The total staff costs, including the directors' emoluments, amounted to HK\$71.8 million for the six months ended 30 June 2008.

The Group adopts salary policies in line with market practice and motivates its staff with performance-based remuneration package. Discretionary bonuses and share options are granted to eligible staff based on individual and group performance. Training and development programmes will be offered to staff at different levels as and when appropriate.

## CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

	Note	Six months ended 30 June	
		2008 (Unaudited) HK\$'000	2007 (Restated) HK\$'000
<b>Revenue</b>	3	<b>4,500,490</b>	3,506,910
Cost of sales		<b>(4,142,445)</b>	(2,985,065)
<b>Gross profit</b>		<b>358,045</b>	521,845
Selling expenses		<b>(53,088)</b>	(37,091)
Administrative expenses		<b>(98,709)</b>	(69,590)
Other income	4	<b>6,508</b>	9,415
Other gains – net	5	<b>24,573</b>	19,914
Reversal of provision for impairment of alumina purchasing rights		-	257,622
Fair value losses on convertible bonds		-	(182,032)
<b>Operating profit</b>	6	<b>237,329</b>	520,083
Finance costs – net	7	<b>(10,384)</b>	(42,922)
Share of post-tax profits less losses of jointly- controlled companies		<b>14,554</b>	15,444
Share of post-tax profits of associated companies		<b>10,846</b>	20,818
<b>Profit before income tax</b>		<b>252,345</b>	513,423
Income tax expense	8	<b>(58,204)</b>	(57,273)
<b>Profit for the period</b>		<b>194,141</b>	456,150
<b>Attributable to:</b>			
<b>Equity holders of the Company</b>		<b>190,297</b>	451,026
<b>Minority interest</b>		<b>3,844</b>	5,124
		<b>194,141</b>	456,150
<b>Earnings per share for profit attributable to equity holders of the Company</b>	9		
<b>- Basic</b>		<b>HK 9.24 cents</b>	HK 26.1 cents
<b>- Diluted</b>		<b>HK 9.23 cents</b>	HK 26.0 cents
<b>Interim dividend per share</b>	10	-	HK 0.5 cent

## CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

		30 June 2008 (Unaudited)	31 December 2007 (Restated)
	Note	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Non-current assets</b>			
Property, plant and equipment	11	493,884	483,566
Construction in progress	11	32,486	13,878
Investment properties	11	9,908	9,820
Land use rights	11	10,205	10,425
Alumina purchasing rights	11	2,674,042	2,745,755
Goodwill		2,640	-
Interests in jointly-controlled companies	12	1,232,069	117,136
Interests in associated companies		101,410	87,242
Long-term receivables		-	32,100
Available-for-sale financial assets		496,871	476,084
Deferred income tax assets		19,401	15,401
		<u>5,072,916</u>	<u>3,991,407</u>
<b>Current assets</b>			
Inventories		782,829	744,747
Trade and bills receivables	13	1,088,507	625,235
Prepayments, deposits and other receivables		781,520	598,910
Financial assets at fair value through profit or loss		35,009	-
Amounts due from fellow subsidiaries		12,112	249
Derivative financial instruments		599	13,913
Tax refundable		23,021	-
Pledged bank deposits		40,664	40,591
Cash and cash equivalents		1,943,950	2,695,939
		<u>4,708,211</u>	<u>4,719,584</u>
<b>Total assets</b>		<u><u>9,781,127</u></u>	<u><u>8,710,991</u></u>

## CONDENSED CONSOLIDATED INTERIM BALANCE SHEET (Continued)

		30 June 2008 (Unaudited) <i>HK\$'000</i>	31 December 2007 (Restated) <i>HK\$'000</i>
	Note		
<b>Capital and reserves attributable to the Company's equity holders</b>			
Share capital	14	102,961	102,936
Reserves		<u>6,411,653</u>	<u>6,205,156</u>
		<b>6,514,614</b>	6,308,092
<b>Minority interest</b>		<u>185,142</u>	<u>251,828</u>
<b>Total equity</b>		<u><b>6,699,756</b></u>	<u>6,559,920</u>
<b>Non-current liabilities</b>			
Deferred income		25,335	25,064
Derivative financial instruments		-	11,563
Deferred income tax liabilities		143,459	132,227
Bank borrowings	17	<u>582,360</u>	<u>475,799</u>
		<u>751,154</u>	<u>644,653</u>
<b>Current liabilities</b>			
Trade and bills payables	18	974,249	766,053
Accruals, receipts in advance and other payables		533,355	429,067
Advances from banks for bills discounted		51,700	49,514
Amounts due to ultimate holding company and fellow subsidiaries		305	8,148
Derivative financial instruments		23,216	5,612
Dividend payable		51,481	-
Income tax liabilities		-	26,172
Bank borrowings	17	<u>695,911</u>	<u>221,852</u>
		<u>2,330,217</u>	<u>1,506,418</u>
<b>Total liabilities</b>		<u><b>3,081,371</b></u>	<u>2,151,071</u>
<b>Total equity and liabilities</b>		<u><b>9,781,127</b></u>	<u>8,710,991</u>
<b>Net current assets</b>		<u><b>2,377,994</b></u>	<u>3,213,166</u>
<b>Total assets less current liabilities</b>		<u><b>7,450,910</b></u>	<u>7,204,573</u>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

### 1. Basis of preparation

The condensed interim financial information has been prepared in accordance with applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

This condensed interim financial information should be read in conjunction with the financial statements for the year ended 31 December 2007, which have been prepared in accordance with Hong Kong Financial Reporting Standards. Except for the adoption of the new interpretations below and the changes in accounting policies as stated in Note 2, the accounting policies followed in the preparation of this condensed interim financial information are consistent with those used in the financial statements for the year ended 31 December 2007.

For the six months ended 30 June 2008, the Group has applied, for the first time, the following new interpretations issued by the HKICPA, which are effective for the financial year beginning on 1 January 2008. The adoption of these new interpretations has no material financial impact on the Group's results and financial position for the current or prior periods.

HK(IFRIC)-Int 11	HKFRS 2 – Group and Treasury Share Transactions
HK(IFRIC)-Int 12	Service Concession Arrangements
HK(IFRIC)-Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The Group has not early adopted the following new or revised standards, amendments and interpretations that have been issued but not yet effective for the financial year beginning on 1 January 2008. The Group is in the process of assessing their impact to the Group's results and financial position.

HKAS 1 (Revised)	Presentation of Financial Statements <sup>1</sup>
HKAS 23 (Revised)	Borrowing Costs <sup>1</sup>
HKAS 27 (Revised)	Consolidated and Separate Financial Statements <sup>2</sup>
HKAS 32 and HKAS 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation <sup>1</sup>
HKFRS 2 (Amendment)	Share-based Payment - Vesting Conditions and Cancellations <sup>1</sup>
HKFRS 3 (Revised)	Business Combinations <sup>2</sup>
HKFRS 8	Operating Segments <sup>1</sup>
HK(IFRIC)-Int 13	Customer Loyalty Programmes <sup>3</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2009.

<sup>2</sup> Effective for annual periods beginning on or after 1 July 2009.

<sup>3</sup> Effective for annual periods beginning on or after 1 July 2008.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

### 2. Changes in accounting policy

#### (a) Interests in jointly-controlled companies

In previous accounting periods, the Group adopted proportionate consolidation method under HKAS 31, "Interests in Joint Ventures", to account for its interests in jointly-controlled companies. To cope with the business development of the Group – the acquisition of a sizable jointly-controlled company in the first-half of 2008, the Directors of the Company are of the view that the equity method of accounting would provide more appropriate and relevant information of the Group's interests in jointly-controlled companies in the Group's consolidated financial statements. Therefore, with effect from 1 January 2008, the Group changed to adopt equity method of accounting, the alternative method under HKAS 31, to account for its interests in jointly-controlled companies.

The change in accounting policy has been applied retrospectively. This would not have any impact on the consolidated net assets as at 31 December 2007 and the consolidated net profit, basic and diluted earnings per share for the six months ended 30 June 2007. The adjustments for each financial statement line item as at 31 December 2007 and for the six months ended 30 June 2007 are set out below.

#### Consolidated Balance Sheet as at 31 December 2007

	As previously reported	Effect of change	As restated
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Non-current assets</b>			
Property, plant and equipment	522,688	(39,122)	483,566
Construction in progress	13,933	(55)	13,878
Investment properties	9,820	-	9,820
Land use rights	15,252	(4,827)	10,425
Alumina purchasing rights	2,745,755	-	2,745,755
Interests in jointly-controlled companies	-	117,136	117,136
Interests in associated companies	87,242	-	87,242
Long-term receivables	32,100	-	32,100
Available-for-sale financial assets	476,084	-	476,084
Deferred income tax assets	15,401	-	15,401
	<u>3,918,275</u>	<u>73,132</u>	<u>3,991,407</u>
<b>Current assets</b>			
Inventories	897,057	(152,310)	744,747
Trade and bills receivables	1,344,290	(719,055)	625,235
Prepayments, deposits and other receivables	620,639	(21,729)	598,910
Amounts due from fellow subsidiaries	2,489	(2,240)	249
Derivative financial instruments	20,146	(6,233)	13,913
Pledged bank deposits	41,145	(554)	40,591
Cash and cash equivalents	2,880,370	(184,431)	2,695,939
	<u>5,806,136</u>	<u>(1,086,552)</u>	<u>4,719,584</u>
<b>Total assets</b>	<u>9,724,411</u>	<u>(1,013,420)</u>	<u>8,710,991</u>



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

### 2. Changes in accounting policy (Continued)

#### (a) Interests in jointly-controlled companies (Continued)

##### Consolidated Balance Sheet as at 31 December 2007 (Continued)

	As previously reported	Effect of change	As restated
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Capital and reserves attributable to the Company's equity holders</b>			
Share capital	102,936	-	102,936
Reserves	6,205,156	-	6,205,156
	6,308,092	-	6,308,092
<b>Minority interest</b>	251,828	-	251,828
<b>Total equity</b>	6,559,920	-	6,559,920
<b>Non-current liabilities</b>			
Deferred income	25,064	-	25,064
Derivative financial instruments	11,563	-	11,563
Deferred income tax liabilities	140,159	(7,932)	132,227
Bank borrowings	475,799	-	475,799
	652,585	(7,932)	644,653
<b>Current liabilities</b>			
Trade and bills payables	828,612	(62,559)	766,053
Accruals, receipts in advance and other payables	440,977	(11,910)	429,067
Advances from banks for bills discounted	478,260	(428,746)	49,514
Amounts due to ultimate holding company and fellow subsidiaries	8,679	(531)	8,148
Derivative financial instruments	5,612	-	5,612
Income tax liabilities	30,938	(4,766)	26,172
Bank borrowings	718,828	(496,976)	221,852
	2,511,906	(1,005,488)	1,506,418
<b>Total liabilities</b>	3,164,491	(1,013,420)	2,151,071
<b>Total equity and liabilities</b>	9,724,411	(1,013,420)	8,710,991
<b>Net current assets</b>	3,294,230	(81,064)	3,213,166
<b>Total assets less current liabilities</b>	7,212,505	(7,932)	7,204,573

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

### 2. Changes in accounting policy (Continued)

#### (a) Interests in jointly-controlled companies (Continued)

##### Condensed Consolidated Interim Income Statement For the Six Months Ended 30 June 2007

	As previously reported	Effect of change	As restated
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Revenue</b>	4,981,210	(1,474,300)	3,506,910
Cost of sales	(4,419,491)	1,434,426	(2,985,065)
<b>Gross profit</b>	561,719	(39,874)	521,845
Selling expenses	(40,957)	3,866	(37,091)
Administrative expenses	(72,480)	2,890	(69,590)
Other income	9,415	-	9,415
Other gains – net	20,498	(584)	19,914
Reversal of provision for impairment of alumina purchasing rights	257,622	-	257,622
Fair value losses on convertible bonds	(182,032)	-	(182,032)
<b>Operating profit</b>	553,785	(33,702)	520,083
Finance costs – net	(58,239)	15,317	(42,922)
Share of post-tax profits less losses of jointly-controlled companies	-	15,444	15,444
Share of post-tax profits of associated companies	20,818	-	20,818
<b>Profit before income tax</b>	516,364	(2,941)	513,423
Income tax expense	(60,214)	2,941	(57,273)
<b>Profit for the period</b>	456,150	-	456,150
<b>Attributable to:</b>			
<b>Equity holders of the Company</b>	451,026	-	451,026
<b>Minority interest</b>	5,124	-	5,124
	456,150	-	456,150
<b>Earnings per share for profit attributable to equity holders of the Company</b>			
<b>- Basic</b>	HK 26.1 cents	-	HK 26.1 cents
<b>- Diluted</b>	HK 26.0 cents	-	HK 26.0 cents

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

### 2. Changes in accounting policy (Continued)

#### (b) Appropriation to PRC statutory reserves

In previous years, the Group's PRC subsidiaries reported their share of statutory reserves appropriations made by the entities consolidated in their consolidated financial statements based on the respective equity interests held by them in these entities.

Effective from 1 January 2008, these PRC subsidiaries began to prepare the statutory financial statements in accordance with the new China Accounting Standards for Business Enterprises ("CAS"). According to CAS, the Group's PRC subsidiaries do not make such statutory reserves appropriations upon the preparation of their consolidation financial statements, and the corresponding changes to the statutory reserves have been retrospectively restated.

The directors of the Company consider that consistent application would enhance the comparability of financial information presented in the statutory financial statements prepared under CAS as well as financial statements prepared under HKFRS. This accounting treatment is also adopted when preparing the Group's consolidated financial statements under HKFRS.

The change in accounting policy has been applied retrospectively and resulted in:

	<b>Six months ended 30 June</b>	
	<b>2008</b>	<b>2007</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Decrease in PRC statutory reserves brought forward	<u>42,140</u>	<u>14,686</u>
Increase in retained profits/(Decrease in accumulated losses) brought forward	<u>42,140</u>	<u>(14,686)</u>
Decrease in appropriation to PRC statutory reserves		<u>13,908</u>

This change in accounting policy would not have any impact on the consolidated net assets as at 31 December 2007 and the consolidated net profit, basic and diluted earnings per share for the six months ended 30 June 2007.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

### 3. Segment information

#### By business segments

At 30 June 2008, the Group's operations comprised the following major business segments:

Trading	:	Trading of alumina and aluminium ingots
Aluminium fabrication	:	Production and sale of aluminium foils and extrusions
Other operations	:	Production and sale of plica tubes and port logistics services

#### For the six months ended 30 June 2008 (Unaudited)

	Trading	Aluminium fabrication	Other operations	Corporate and others	Inter-segment elimination	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
External revenue	3,266,402	1,222,855	11,233	-	-	4,500,490
Inter-segment revenue	326,807	-	1,882	-	(328,689)	-
<b>Revenue</b>	<b>3,593,209</b>	<b>1,222,855</b>	<b>13,115</b>	<b>-</b>	<b>(328,689)</b>	<b>4,500,490</b>
<b>Segment result</b>	<b>235,905</b>	<b>26,646</b>	<b>4,221</b>	<b>(29,443)</b>	<b>-</b>	<b>237,329</b>
Finance costs - net						(10,384)
Share of post-tax profits less losses of jointly-controlled companies						14,554
Share of post-tax profits of associated companies						10,846
Income tax expense						(58,204)
Profit for the period						194,141
Minority interest						(3,844)
Profit attributable to equity holders of the Company						190,297

#### As at 30 June 2008 (Unaudited)

<b>Segment assets</b>	<b>5,217,965</b>	<b>1,866,257</b>	<b>57,082</b>	<b>767,051</b>	<b>-</b>	<b>7,908,355</b>
Interests in jointly-controlled companies						1,232,069
Interests in associated companies						101,410
Available-for-sale financial assets						496,871
Deferred income tax assets						19,401
Tax refundable						23,021
Total assets						9,781,127
<b>Segment liabilities</b>	<b>1,574,498</b>	<b>1,279,336</b>	<b>23,855</b>	<b>60,223</b>	<b>-</b>	<b>2,937,912</b>
Deferred income tax liabilities						143,459
Total liabilities						3,081,371
<b>Capital expenditure</b>	<b>205</b>	<b>28,243</b>	<b>-</b>	<b>168</b>	<b>-</b>	<b>28,616</b>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

### 3. Segment information (Continued)

#### By business segments (Continued)

	For the six months ended 30 June 2007 (Restated)					
	Trading	Aluminium fabrication	Other operations	Corporate and others	Inter-segment elimination	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
External revenue	2,505,857	985,479	15,574	-	-	3,506,910
Inter-segment revenue	199,283	640	1,514	-	(201,437)	-
<b>Revenue</b>	<b>2,705,140</b>	<b>986,119</b>	<b>17,088</b>	<b>-</b>	<b>(201,437)</b>	<b>3,506,910</b>
<b>Segment result</b>	670,382	31,766	3,115	7,585	(10,733)	702,115
Fair value losses on convertible bonds						(182,032)
Finance costs - net						(42,922)
Share of post-tax profits less losses of jointly-controlled companies						15,444
Share of post-tax profits of associated companies						20,818
Income tax expense						(57,273)
Profit for the period						456,150
Minority interest						(5,124)
Profit attributable to equity holders of the Company						<u>451,026</u>
	As at 31 December 2007 (Restated)					
<b>Segment assets</b>	5,539,885	1,535,343	52,792	887,108	-	8,015,128
Interests in jointly-controlled companies						117,136
Interests in associated companies						87,242
Available-for-sale financial assets						476,084
Deferred income tax assets						15,401
Total assets						<u>8,710,991</u>
<b>Segment liabilities</b>	1,073,087	893,990	23,482	2,113	-	1,992,672
Income tax liabilities						26,172
Deferred income tax liabilities						132,227
Total liabilities						<u>2,151,071</u>
<b>Capital expenditure</b>	423	22,515	372	407	-	23,717

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

### 3. Segment information (Continued)

#### By geographical segments

The Group's activities are conducted predominately in the People's Republic of China (the "PRC") except that certain revenues are derived from overseas countries.

	Six months ended 30 June			
	2008 (Unaudited)		2007 (Restated)	
	Revenue	Contribution to gross profit	Revenue	Contribution to gross profit
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
PRC	4,116,042	280,112	3,332,965	501,082
Australia	356,399	33,669	1,964	367
Others	356,738	46,146	373,418	21,910
Inter-segment elimination	(328,689)	(1,882)	(201,437)	(1,514)
Total	<u>4,500,490</u>	<u>358,045</u>	<u>3,506,910</u>	<u>521,845</u>

### 4. Other income

	Six months ended 30 June	
	2008	2007
	(Unaudited)	(Restated)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Reversal of provision for impairment of receivables	2,047	3,658
Sales of by-products and other services income	2,541	2,236
Amortisation of deferred income	1,308	1,206
Others	612	2,315
	<u>6,508</u>	<u>9,415</u>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

### 5. Other gains – net

	<b>Six months ended 30 June</b>	
	<b>2008</b>	<b>2007</b>
	<b>(Unaudited)</b>	<b>(Restated)</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Net (losses)/gains on derivative financial instruments	<b>(43,188)</b>	(29,347)
- Aluminium forward/futures contracts	<b>(43,188)</b>	(30,454)
- Foreign exchange forward contracts	-	1,107
Exchange gains – net	<b>69,045</b>	47,933
(Loss)/Gain on disposal of property, plant and equipment	<b>(36)</b>	57
Gain on disposal of an associated company	-	1,360
Gain on disposal of investment properties	-	100
Others	<b>(1,248)</b>	(189)
	<b>24,573</b>	19,914

### 6. Operating profit

Operating profit is determined after charging the following:

	<b>Six months ended 30 June</b>	
	<b>2008</b>	<b>2007</b>
	<b>(Unaudited)</b>	<b>(Restated)</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Employee benefit expenses (including directors' emoluments)	<b>71,764</b>	50,789
Amortisation		
- Alumina purchasing rights (excluding the amount absorbed in inventories)	<b>53,707</b>	43,891
- Land use rights	<b>896</b>	925
Depreciation	<b>32,032</b>	25,121
Operating lease rental on properties	<b>2,010</b>	2,036

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

### 7. Finance costs - net

	<b>Six months ended 30 June</b>	
	<b>2008</b>	<b>2007</b>
	<b>(Unaudited)</b>	<b>(Restated)</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Finance costs		
- Interest on bank loans	<b>(28,336)</b>	(39,361)
- Interest on convertible bonds	-	(42,627)
- Fair value loss on interest rate swaps	<b>(4,049)</b>	(2,583)
	<b>(32,385)</b>	(84,571)
Finance income		
- Interest income	<b>22,001</b>	41,649
	<b>(10,384)</b>	(42,922)

### 8. Income tax expense

No provision for Hong Kong profits tax has been made as the Group has no estimated assessable profit generated in Hong Kong for the period (2007: Nil). Taxation on profits arising from other jurisdictions has been calculated on the estimated assessable profits for the period at the rates prevailing in the relevant jurisdictions.

	<b>Six months ended 30 June</b>	
	<b>2008</b>	<b>2007</b>
	<b>(Unaudited)</b>	<b>(Restated)</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Current income tax		
PRC enterprise income tax	<b>(49,336)</b>	(74,676)
Overseas income tax	<b>(291)</b>	(1,508)
	<b>(49,627)</b>	(76,184)
Deferred income tax (expense)/credit	<b>(8,577)</b>	18,911
	<b>(58,204)</b>	(57,273)

The National People's Congress approved the Corporate Income Tax Law of the PRC (the "new CIT Law") on 16 March 2007 and the State Council announced the Detail Implementation Regulations ("DIR") on 6 December 2007, which was effective from 1 January 2008. According to the new CIT Law, the income tax rates for both domestic and foreign investment enterprises are unified at 25% effective from 1 January 2008.



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

### 9. Earnings per share

#### (a) Basic

The calculation of basic earnings per share is based on net profit attributable to equity holders of the Company of HK\$190,297,000 (2007: HK\$451,026,000) and the weighted average number of 2,059,215,304 (2007: 1,730,047,677) ordinary shares in issue during the period.

#### (b) Diluted

The calculation of diluted earnings per share is based on the profit attributable to equity holders of the Company and the weighted average number of ordinary shares in issue during the period after adjusting for the dilutive potential ordinary shares in respect of the share options granted and not yet exercised. The potential ordinary shares in respect of the convertible bonds outstanding for the six months ended 30 June 2007 are anti-dilutive.

	<b>Six months ended 30 June</b>	
	<b>2008</b>	<b>2007</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Profit attributable to equity holders of the Company	<b><u>190,297</u></b>	<u>451,026</u>
	<b>Number of</b>	<b>Number of</b>
	<b>shares</b>	<b>shares</b>
Weighted average number of ordinary shares in issue	<b>2,059,215,304</b>	1,730,047,677
Dilutive potential ordinary shares in respect of share options granted and not yet exercised	<b><u>3,412,719</u></b>	<u>2,498,920</u>
Adjusted weighted average number of ordinary shares in issue	<b><u>2,062,628,023</u></b>	<u>1,732,546,597</u>
Diluted earnings per share	<b><u>HK 9.23 cents</u></b>	<u>HK 26.0 cents</u>

### 10. Dividend

The directors do not recommend the payment of interim dividend for the six months ended 30 June 2008 (2007: 0.5 HK cent per share).

A final dividend for the year ended 31 December 2007 of approximately HK\$51,481,000 was paid in July 2008. This amount was recognised in the balance sheet as dividend payable at 30 June 2008.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

### 11. Capital expenditure

	Property, plant and equipment (Unaudited) <i>HK\$'000</i>	Construction in progress (Unaudited) <i>HK\$'000</i>	Investment properties (Unaudited) <i>HK\$'000</i>	Land use rights (Unaudited) <i>HK\$'000</i>	Alumina purchasing rights (Unaudited) <i>HK\$'000</i>
At 1 January 2008 (Restated)	483,566	13,878	9,820	10,425	2,745,755
Additions	3,435	25,181	-	-	-
Transfer to property, plant and equipment	7,481	(7,481)	-	-	-
Depreciation and amortisation	(32,032)	-	-	(896)	(71,713)
Provision for impairment	(5)	-	-	-	-
Exchange differences	31,563	908	88	676	-
Disposals	(124)	-	-	-	-
<b>At 30 June 2008</b>	<b><u>493,884</u></b>	<b><u>32,486</u></b>	<b><u>9,908</u></b>	<b><u>10,205</u></b>	<b><u>2,674,042</u></b>

### 12. Business combination

By the end of April 2008, the Group completed its acquisition of 33% interest in Guangxi Huayin Aluminium Company Limited ("Guangxi Huayin"), a jointly-controlled company that engages in the production and sale of alumina and related products. Guangxi Huayin contributed net profit of approximately HK\$842,000 to the Group for the period from the completion date of the acquisition to 30 June 2008.

Details of net assets acquired and provisional goodwill are as follows:

	<i>HK\$'000</i>
Purchase consideration	
- Cash paid	1,011,869
Provisional fair value of net assets acquired (see below)	<u>(796,040)</u>
Provisional goodwill	<u><u>215,829</u></u>

The provisional goodwill is attributable to the industry expertise as well as the sustainable and profitable business model of the acquired business.

As at the date of this interim financial information, the initial accounting for the acquisition is determined on a provisional basis as the allocation of fair value to the identifiable assets and liabilities of the acquisition is still progressing. Adjustments to those provisional values of identifiable assets and liabilities, including any additional depreciation, amortisation and other profit or loss effect, if any, will be recognised on completion of the initial accounting.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

### 12. Business combination (Continued)

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

	<b>Acquiree's carrying amount</b>	<b>Provisional fair value</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Property, plant and equipment and construction in progress	6,688,163	6,688,163
Land use rights	182,124	301,950
Inventories	502,096	502,096
Trade and other receivables	1,375,547	1,375,547
Cash and cash equivalents	20,967	20,967
Other assets	143,856	143,856
Trade and other payables	(675,912)	(675,912)
Bank borrowings	(5,913,210)	(5,913,210)
Deferred tax liabilities	-	(29,956)
Other liabilities	(1,258)	(1,258)
Net assets	<u>2,322,373</u>	<u>2,412,243</u>
Net assets acquired by the Group (33% share of the net assets of Guangxi Huayin)	<u>766,383</u>	<u>796,040</u>

### 13. Trade and bills receivables

Majority of the Group's sales derived from trading operation are under the arrangement of delivery upon payment from customers, with the remaining amounts are on letters of credit. For the aluminium fabrication and other operations, sales are normally made with credit periods ranging from 30 to 90 days. An aging analysis of the trade receivables is shown as follows:

	<b>At 30 June 2008</b>		<b>At 31 December 2007</b>	
	<b>(Unaudited)</b>		<b>(Restated)</b>	
	<b>HK\$'000</b>	<b>%</b>	<b>HK\$'000</b>	<b>%</b>
Trade receivables				
Less than 6 months	<b>257,953</b>	<b>81</b>	102,452	64
6 months – 1 year	<b>7,870</b>	<b>2</b>	3,743	2
Over 1 year	<b>54,886</b>	<b>17</b>	54,816	34
	<u><b>320,709</b></u>	<u><b>100</b></u>	<u>161,011</u>	<u>100</u>
Provision for impairment of receivables	<u><b>(57,845)</b></u>		<u>(57,472)</u>	
Trade receivables – net	<u><b>262,864</b></u>		103,539	
Bills receivable (Note)	<u><b>825,643</b></u>		<u>521,696</u>	
	<u><b>1,088,507</b></u>		<u>625,235</u>	

Note: Bills receivable are with maturity of less than 6 months, of which approximately HK\$613,226,000 (2007: HK\$366,887,000) has been discounted to banks or endorsed to suppliers.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

### 14. Share capital

	<u>Number of shares</u>	<u>Share capital</u>
	<i>in thousand</i>	<i>HK\$'000</i>
Authorised:		
Ordinary shares of HK\$0.05 each as at 30 June 2008 and 31 December 2007	<u>6,000,000</u>	<u>300,000</u>
Issued and fully paid:		
Ordinary shares of HK\$0.05 each as at 1 January 2008	2,058,721	102,936
Issue of shares under share option scheme	<u>500</u>	<u>25</u>
<b>At 30 June 2008 (Unaudited)</b>	<b><u>2,059,221</u></b>	<b><u>102,961</u></b>

### 15. Share option scheme

The movements of the share options granted under the Company's share option scheme for the six months ended 30 June 2008 are as follows:

Category and name of participant	Date of grant	Exercise price per share	Exercise period	Number of options			Balance as at 30 June 2008
				Balance as at 1 January 2008	Exercised during the period	Lapsed during the period	
		<i>HK\$</i>					
<b>Directors</b>							
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
<b>Employees of the Group</b>	18 April 2006	2.725	18 April 2006 to 17 April 2009	8,500,000 (Note)	(500,000)	-	8,000,000
				<u>19,100,000</u>	<u>(500,000)</u>	<u>-</u>	<u>18,600,000</u>

Note: Including 1,500,000 options granted to a director who resigned as a director of the Company on 1 January 2008 but remained as an employee of the Group.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

### 16. Special capital reserve

In January 2007, the Company filed a petition to the high court of the Hong Kong Special Administrative Region to seek the court's confirmation of the cancellation of the special capital reserve account of the Company and the reduction of the share premium account of the Company for the purpose of eliminating the accumulated losses of the Company as at 31 October 2006. On 13 February 2007, the court ordered that the cancellation of the special capital reserve account of HK\$125,374,000 and the reduction of the premium account by HK\$764,428,000 was confirmed ("Capital Reorganisation"). In relation to the Capital Reorganisation, 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 the Capital Reorganisation remains outstanding, the Company should credit the following amounts to a special reserve (the "Special Reserve"):

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

The standing to the credit of the Special Reserve shall not be treated as realised profit. It shall be treated as an undistributable reserve of the Company for the purposes of Section 79C of the Hong Kong Companies Ordinance. For the six months ended 30 June 2008, an amount of approximately HK\$3,764,000 (2007: HK\$2,878,000) was credited to the Company's special capital reserve in accordance with the Undertaking.

### 17. Bank borrowings

	<b>30 June 2008 (Unaudited) HK\$'000</b>	31 December 2007 (Restated) HK\$'000
Non-current	<b>582,360</b>	475,799
Current	<b>695,911</b>	221,852
Total bank borrowings	<b><u>1,278,271</u></b>	<u>697,651</u>

Bank borrowings are repayable as follows:

Within 1 year	<b>695,911</b>	221,852
Between 1 and 2 years	<b>46,800</b>	46,800
Between 2 and 5 years	<b>270,360</b>	140,400
Wholly repayable within 5 years	<b>1,013,071</b>	409,052
Over 5 years	<b>265,200</b>	288,599
	<b><u>1,278,271</u></b>	<u>697,651</u>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

### 18. Trade and bills payables

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

	At 30 June 2008 (Unaudited)		At 31 December 2007 (Restated)	
	HK\$'000	%	HK\$'000	%
Trade payables				
Less than 6 months	390,248	95	447,057	100
6 months – 1 year	22,315	5	965	-
Over 1 year	160	-	658	-
	<u>412,723</u>	<u>100</u>	<u>448,680</u>	<u>100</u>
Trade payables under endorsed bills	<u>561,526</u>		<u>317,373</u>	
	<u>974,249</u>		<u>766,053</u>	

## OTHER INFORMATION

### CORPORATE GOVERNANCE

#### Corporate Governance Practices

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

The Company has complied with all the code provisions set out in the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 of the Listing Rules throughout the period of the six months ended 30 June 2008 with the exception of code provision E.1.2 of the CG Code that the chairman of the Board should attend the annual general meeting. The chairman of the Board had not attended the annual general meeting of the Company held on 14 May 2008 due to other business commitment. The chairman of the Board will endeavor to attend all future annual general meetings of the Company.

#### Audit Committee

The audit committee of the Company comprises three independent non-executive directors, namely Mr. Li Dongsheng, Mr. Chan Wai Dune and Mr. Ting Leung Huel, Stephen and one non-executive director, Mr. Zong Qingsheng. Mr. Ting Leung Huel, Stephen is the chairman of the audit committee. The principal duties of the audit committee include the review and supervision of the financial reporting process and internal controls system of the Group. The audit committee has reviewed the unaudited interim financial report of the Group for the six months ended 30 June 2008.

## **Securities Transactions by Directors**

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

Having made specific enquiry with all the directors of the Company, all of them confirmed that they have complied with the required standard set out in the Model Code and the Code of Conduct during the six months ended 30 June 2008.

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

During the six months ended 30 June 2008, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

## **PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT**

This interim results announcement is also published on the website of the Company at [www.minmetalsresources.com](http://www.minmetalsresources.com). The Interim Report 2008 of the Company will be despatched to the shareholders and will be available on the websites of Hong Kong Exchanges and Clearing Limited at [www.hkexnews.hk](http://www.hkexnews.hk) and the Company respectively in due course.

By order of the Board  
**Minmetals Resources Limited**  
**Hao Chuanfu**  
*Executive Director and President*

Hong Kong, 5 September 2008

*As at the date of this announcement, the board of directors of the Company comprises eleven directors, of which two are executive directors, namely Mr. Hao Chuanfu and Mr. Ren Suotang; six are non-executive directors, namely Mr. Zhou Zhongshu (Chairman), Mr. Xu Huizhong (Vice Chairman), Ms. Shen Ling, Mr. Zong Qingsheng, Mr. Wang Lixin and Mr. Cui Hushan; and three are independent non-executive directors, namely Mr. Li Dongsheng, Mr. Chan Wai Dune and Mr. Ting Leung Huel, Stephen.*