

Chairman's Statement



Mr. ZHOU Zhongshu
Chairman

The year 2005 marked a new milestone in the development history of our group. During the year, the Group completed acquisition of the alumina and aluminium-related businesses of China Minmetals



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Corporation ("China Minmetals"), the Group's substantial shareholder. Upon completion of the transaction, the alumina and aluminium trading business will become the core strategic focus of the Group. The Group will consolidate the aluminium production chain and diversify into other non-ferrous metals and resources businesses, thereby establishing the Company as a platform to overseas market for China Minmetals' non-ferrous business.

To reflect the Group's market position and strategic plan upon assets injection as well as the close connection between China Minmetals and the Group and, the name of the Company has been changed to Minmetals Resources Limited (the "Company", together with its subsidiaries, the "Group") during the year.

The Group recorded substantial expansion in operating scale. Turnover for 2005 increased by 159% from the previous year to approximately HK\$3.3 billion. Profit for the year was approximately HK\$182 million. The contribution of alumina and aluminum-related businesses to the Group was not fully reflected in the 2005 results as their acquisition was just completed in the last quarter of the year.

Operation of the Group is focused on the PRC market. Economic growth of the PRC is expected to continue at a fast rate for 2006 and onwards. As a result of the continued economic development, and accelerated industrialization and urbanisation of the PRC, demand for base metals such as aluminium



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and copper will maintain a strong growth momentum. The Group will aggressively capitalise on demand from the PRC market to secure further business development and enhancement of profitability.

Given robust development of the global economy, in particular the rapid economic growth in developing countries, it is believed the metal product market in general will remain prosperous in the coming years. Save for potential and modest price adjustment for certain metal products from time to time, the general prices will maintain at relatively high level.

The production of metal products is indispensable from mining of mineral resources. Since mineral resources cannot be regenerated, the increase in mineral supply, constrained by such factors as reserve, exploration investment, exploitation costs and government policies, often falls behind the growth in demand. It is expected that measures will be adopted by countries around the world to prevent excessive exploitation of mineral resources to ensure sustainable development. These factors will underpin the strong prices of metal products in the long run.

Keeping its focus on the core operations, the Group is committed to maintaining its competitive edge and expanding market share to further consolidate its dominance in the PRC import alumina market. At the same time, the Group will also closely monitor and analyse market changes to further reinforce its efforts in market research, analysis and forecast and to control the risks from price fluctuation and maximise efficiency through prudent hedging.

Pursuant to the Non-competition Agreement between the Company and the controlling shareholder, the Company will actively engage in the negotiation and implementation of acquisition of Sherwin Alumina L.P. and Guangxi Huayin Aluminium Company Limited ("Huayin Aluminium"), thereby steadily push ahead with the construction and operation of Huayin Aluminium to secure the source of alumina. Under the direction of the Company's development strategy, the Company will further consolidate its business chain by extending the upstream and downstream operations with a focus on the core business, so as to realise a stronger grip and direction on the resources. In addition, it is the Company's intention to identify target aluminium smelters and aggressively prepare for and proceed with relevant acquisition projects in accordance with the requirements of acquisition regulations and regulatory rules, with an aim of consolidating its value chain, business model and sales channel of alumina.

As for business expansion, the Group will further consider the opportunities of acquisition of other non-ferrous metal businesses and assets from the controlling shareholder. The addition of core assets will facilitate the Group in consolidating its business foundation, thereby enhancing its core competitiveness and profitability for diversification. In addition, the Group will also improve its strategic management of investee companies. It plans to adjust product mix to a more market-oriented portfolio and implement technology and facilities upgrades, so as to persistently improve its product quality, lower costs and enhance its competitiveness.

On the front of corporate governance, the Company will further enhance its governance structure and transparency, thereby improving investors' knowledge of the Company's operations. Apart from that, efforts will be committed to reinforce internal management to effectively control operating risks.

Building on the concerted efforts of the Group's staff, we are confident to achieve win-win solutions for our cooperation partners and the Company, so as to create value for our shareholders.

ZHOU Zhongshu
Chairman

Hong Kong, 31 March 2006

