

Chairman's Statement



Mr. ZHOU Zhongshu
Chairman



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2006 was the first financial year that the Group consolidated the full-year results of the alumina and aluminium businesses (mainly comprised Minmetals Aluminium Company Limited and its subsidiaries) acquired from our parent company, China Minmetals Corporation, since 6 October 2005. With enlarged business scale and leveraging on the "Minmetals" brand, the Group recorded encouraging results this year.

Driven by the strong performance of the newly acquired businesses for the year ended 2006, the Group reported a turnover of HK\$12,829 million, an increase of 285% and a net profit attributable to equity holders of the Company of HK\$865 million, an increase of 376% from HK\$182 million over the last corresponding period. Basic earnings per share were HK\$0.505 for 2006, compared to HK\$0.209 for 2005.

As at 31 December 2006, the Company was still in accumulated losses, the board of directors did not recommend the payment of a final dividend. However the capital reduction of the Company was confirmed by the High Court of Hong Kong and became effective on 13 February 2007. The entire sum of the capital reduction as confirmed by the High Court has been used to eliminate the accumulated losses of the Company in the past years, thus enabling the Company to pay dividends in future.



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

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

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

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

The good results achieved by the Group in 2006 were the effort from our experienced and professional staff. The board of directors thanks our employees for their dedications and invaluable contributions during the year and looks forward to their team spirit and support for the continuing success of the Group and create value to our shareholders.

ZHOU Zhongshu

Chairman

Hong Kong, 11 April 2007

