五礦資源有限公司
MINMETALS RESOURCES LIMITED

Stock Code 股份代號: 1208

Annual Report 2007 年報

Contents

Corporate Information

BOARD OF DIRECTORS

Chairman
ZHOU Zhongshu *(Non-executive Director)*

Executive Directors
XU Huizhong
REN Suotang

Non-executive Directors
SHEN Ling
ZONG Qingsheng
WANG Lixin
CUI Hushan

Independent Non-executive Directors
LIU Hongru
CHAN Wai Dune, *FCCA, FTIHK, MSCA, FCPA (Practising)*
TING Leung Huel, Stephen, *FCCA, FCPA (Practising), ACA, FTIHK*

AUDIT COMMITTEE

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

Members
LIU Hongru
CHAN Wai Dune, *FCCA, FTIHK, MSCA, FCPA (Practising)*
ZONG Qingsheng

REMUNERATION COMMITTEE

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

Members
ZHOU Zhongshu
LIU Hongru
XU Huizhong
TING Leung Huel, Stephen, *FCCA, FCPA (Practising), ACA, FTIHK*

COMPANY SECRETARY

LEUNG Suet Kam, Lucia, *FCIS, FCS*

CHIEF FINANCIAL OFFICER

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

QUALIFIED ACCOUNTANT

CHU Charn Fai, Daniel, *FCCA, CPA*

LEGAL ADVISERS

Deacons

AUDITORS

PricewaterhouseCoopers
Certified Public Accountants

SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
17th Floor, Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANKERS

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

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

9th Floor, China Minmetals Tower
79 Chatham Road South
Tsimshatsui
Kowloon
Hong Kong

WEBSITE

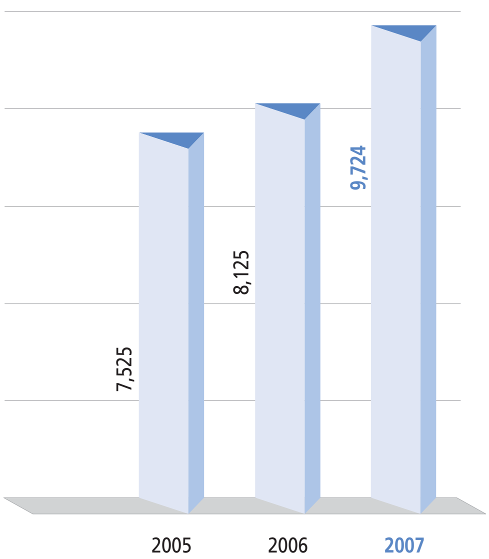
www.minmetalsresources.com

SHARE LISTING

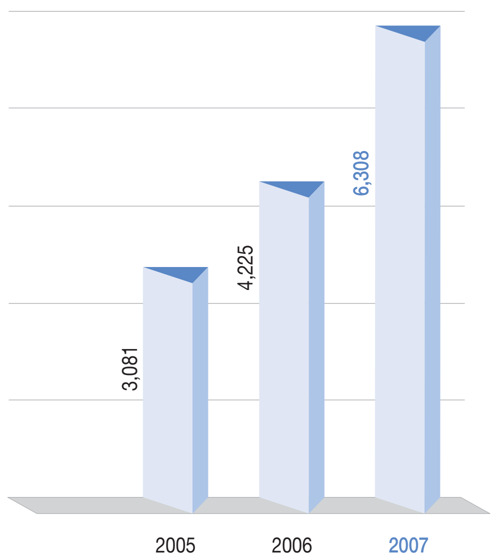
The Stock Exchange of Hong Kong Limited
Stock Code: 1208

Financial Highlights

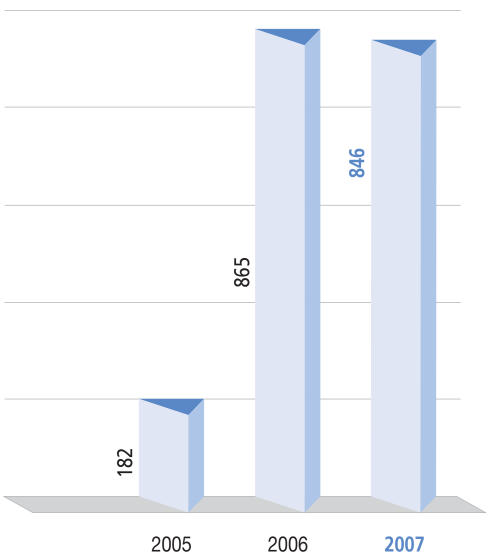
Total Assets (HK$ Million)



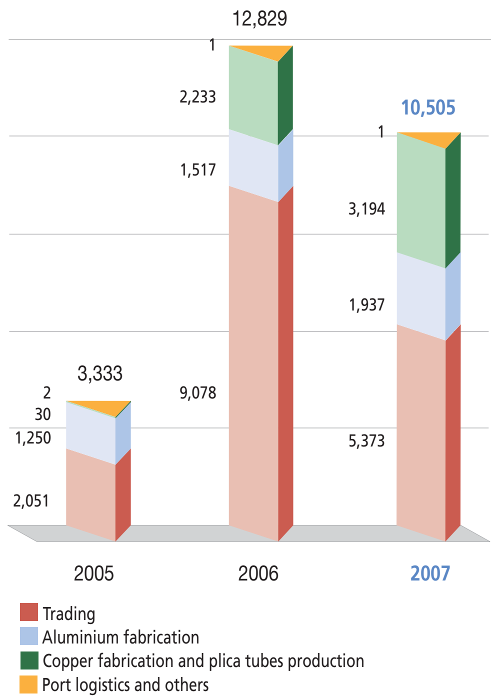
Shareholders' Equity (HK$ Million)



Profit Attributable to Shareholders (HK$ Million)



Segment Revenue (HK$ Million)



Chairman's Statement

Mr. ZHOU Zhongshu - Chairman

2007 was the second financial year that the Group consolidated the full year results of the alumina and aluminium businesses acquired from its parent company, China Minmetals Corporation. The management team overcame the market's fluctuations through strengthening of its financial position, operations and risk control achieved satisfactory results for the year. For the year ended 31 December 2007, the Group's revenue and profit attributable to equity holders of the Company were HK$10,504,622,000 and HK$845,658,000 respectively. There was a slight decrease of 2.3% in profit when compared with that of last year. Without the impact of a loss of HK$182,032,000 on book value resulting from fair value changes in the Group's convertible bonds, profit attributable to equity holders of the Company would have reported a growth of 18.8%.

To express our gratitude to the shareholders' continued support to the Group and to strike a balance between creating shareholder value, rewarding our shareholders and retaining the necessary capital to fund our future investments, the Board of Directors has resolved to recommend a final dividend for the year ended 31 December 2007 of 2.5 HK cents per share. Together with the interim dividend of 0.5 HK cent per share already paid, the annual total dividend amounted to 3.0 HK cents per share.

The Board of Directors has always been persistent with the Group's strategic positioning. That is "to ride on alumina and aluminium trading business, to develop an integrated business chain, to expand into other non-ferrous metals and resources businesses whenever appropriate, and to enable Minmetals Resources to become China Minmetals Corporation's overseas platform for its non-ferrous metals businesses." The Group's existing alumina business has been extended to up-stream and down-stream areas to cover resources, trading and fabrication businesses.

Chairman's Statement

In resources exploration, Minmetals Resources and China Minmetals Non-ferrous Metals Company Limited entered into an agreement for the sale and purchase of a 33% equity interest in Guangxi Huayin Aluminium Company Limited ("Guangxi Huayin") and a supplemental agreement on 5 November 2007 and 15 November 2007 respectively. Minmetals Resources agreed to acquire the abovementioned equity interest for a consideration of approximately RMB856 million. The transaction was approved by the independent shareholders at an extraordinary general meeting on 18 December 2007. The transaction will be completed upon satisfaction of all conditions precedent. By the end of 2007, the construction for the first production line with an annual production capacity of 400,000 tonnes of alumina was completed and production has commenced since then. With annual production capacity of 1.6 million tonnes, the Board of Directors believes that Guangxi Huayin will be one of the largest and the most advanced alumina refinery plant upon completion of its development. This will help to enable the Group to secure stable sourcing for its trading business. In addition. the Alcoa contract allows the Group to source up to 400,000 tonnes of alumina annually at prices based on cost plus fees up to June 2027. The Group will further maximise its market position to achieve further integration through consolidating alumina long-term purchase contract and production operations into its business chain. Regarding the joint venture for exploration of bauxite mine and establishment of alumina refining facility in Jamaica, it has achieved progress in feasibility study on initial exploration of the quality and quantity of bauxite reserve. This has paved the way for the feasibility study on further excavation of bauxite and construction of alumina refining facilities.

On 25 September 2007, the Group, through its wholly-owned subsidiaries, entered into an agreement for the purchase of a 20% equity interest in Qinghai Province Investment Group Limited ("Qinghai Investment"). The total consideration amounted to approximately RMB680 million. Qinghai Investment's principal business activities are investment in industrial, energy resources, infrastructure and agricultural businesses. Its major assets include aluminium smelters with an annual production capacity of 350,000 tonnes, hydro power plants with an annual capacity of 284,000 KW, 130 million tonnes of coal reserves and an aluminium fabrication plant under construction with an estimated annual production capacity of 200,000 tonnes. Completion of the acquisition is conditional upon fulfillment of conditions precedent. The Group's investment in Qinghai Investment is a strategic move. It will help establish a long-term and stable alumina supply and aluminium ingots procurement relationship with Qinghai Investment's aluminium smelting business. It is also a step forward in the Group's aluminium business supply chain integration.

For the Group's trading business, 2006 to 2007 was a period when the PRC alumina market experiencing significant fluctuations. Alumina price rebounded sharply after hitting the bottom in late 2006. Price level remained stable during the first quarter of 2007 and fluctuated within a narrow range thereafter. Price then rose steadily approaching the end of the year. Over the past few years, the strong growth in the PRC economy has stimulated the upsurge in production and consumption of alumina in the PRC. The PRC has played a significant role in the aluminium industry in the world. Due to the increase in the production of alumina in the PRC, the import of alumina from overseas and the trading volume of

Chairman's Statement

imported alumina handled by the Group decreased accordingly. The Group has adjusted the mode of its aluminium ingots trading operations by supplying aluminium smelters with alumina for processing into aluminium ingots and for sale to domestic customers. In this way, the Group was able to effectively increase its sales of aluminium ingots.

For the fabrication business, the Group's aluminium fabrication, copper fabrication and plica tubes production businesses recorded encouraging results in 2007. The Group will make further capital investment in North China Aluminium Company Limited ("NCA") this year. The capital injection will provide additional funding for NCA's expansion of its annual aluminium fabrication capacity of 25,000 tonnes to 105,000 tonnes. The Group will strengthen its control over NCA by increasing its equity interest in NCA from 51% to approximately 73%. By increasing its investment in NCA, fine-tuning production process and strengthening its management, the Group aims to help maximise operation efficiency and reduce its cost to consolidate NCA's market position in aluminium fabrication industry.

First Harvest Limited, a wholly-owned subsidiary of Minmetals Resources, issued zero coupon guaranteed convertible bonds with an aggregate principal amount of HK$1 billion in December 2006. As of 9 November 2007, all the outstanding bonds were fully converted into shares of the Company. The number of issued ordinary shares of the Company has been increased by approximately 342 million shares. This reflects the investing public's confidence on the prospects of the Group and strengthens the Company's capital base,

On behalf of the Board of Directors, I would like to thank all our staff for their dedication and our shareholders for their unfailing support. Looking forward, I have full confidence about our Group's prospects in integration of its aluminium business chain and its expansion into other non-ferrous metals businesses. We are devoted to perfect our corporate governance, to enhance transparency and to improve further the Group's operation efficiency and return on assets. With experienced professional management team, dedicated employees and a clear development objective, the Company is well-positioned to provide shareholders with satisfactory returns and to maximise shareholder value.

ZHOU Zhongshu
Chairman

Hong Kong, 31 March 2008

Management Discussion and Analysis

OVERVIEW

2007 was a year of flux in which the Group faced numerous difficulties as well as opportunities. The concerted efforts of the Group's directors, management and staff have tided Minmetals Resources through this challenging year. During the year, the Group expanded its tolling operation and put forward investments in up-stream and down-stream operations at a faster pace, moving a step forward to a more integrated supply chain business.

During the year, the Group recorded revenue of HK$10,504.6 million and profit attributable to the Company's equity holders of HK$845.7 million, representing decrease of 18% and 2% respectively compared to 2006. Although the Group's revenue in 2007 – as affected by the surging supply of domestically produced alumina in the People's Republic of China ("PRC") – showed a decline, overall net profit was still basically maintained at 2006's level. In fact, if excluding the non-recurring loss of HK$182.0 million in relation to the fair value changes of convertible bonds, the Group's profit for 2007 indeed increased by approximately 19% over last year.

FINANCIAL REVIEW

Revenue

The Group's fabrication businesses showed satisfactory growth in 2007. However, this cannot fully offset the decline in the trading business. Overall, the total revenue of the Group decreased by 18% compared with the previous year. The changes in the revenue of the different business segments of the Group are set out below.

	2007	2006	**Increase/(Decrease)**	
	HK$ million	*HK$ million*	*HK$ million*	*%*
Trading	**5,796.7**	9,286.4	(3,489.7)	(38)
Aluminium fabrication	**1,937.6**	1,519.7	417.9	27
Copper fabrication and plica tubes production	**3,194.2**	2,233.4	960.8	43
Port logistics services and other industrial operations	**5.2**	6.5	(1.3)	(20)
Inter-segment elimination	**(429.1)**	(216.7)		
Total	**10,504.6**	12,829.3	(2,324.7)	(18)

Given the robust economic growth in the PRC, the demand for aluminium and copper products has been growing rapidly, particularly for the transportation, power transmission, home appliances and mechanical engineering industries. Most of these industries posted double-digit growth in 2007 and showed high demand for the Group's products. During the year, the revenue of the Group's aluminium and copper fabrication businesses increased by 27% and 43% respectively. But for the trading business, revenue dropped by 38%, partly because of the volume decline and partly because of the lower alumina prices.

Management Discussion and Analysis

FINANCIAL REVIEW *(cont'd)*

Gross profit

During the year, gross profit decreased by HK$503.3 million or 35% to HK$935.5 million. This was mainly due to the drop in the trading volume of alumina from approximately 1,927,000 tonnes in 2006 to approximately 1,128,000 tonnes in 2007 and the change in overall gross profit margin.

Overall gross profit margin fell from 11.2% in 2006 to 8.9% in 2007, primarily attributable to the facts that: (i) certain long-term sales contracts were ended in 2006 and thus affecting the Group's withstanding power to cope with downward price adjustments of alumina and (ii) copper fabrication business, which margin was lower than those of other business segments, accounted for a larger portion of the Group's total revenue in 2007.

Selling expenses

The Group's selling expenses moved in line with the decrease in revenue, reducing by 16% to HK$88.2 million. Selling expenses to revenue ratio was 0.8%, similar to last year's level.

Administrative expenses

The Group's administrative expenses rose by 14% from HK$153.2 million in 2006 to HK$175.4 million in 2007, mainly due to: (i) additional legal and other professional charges were incurred for several investment projects undertaken during the year; and (ii) salary adjustments as well as the implementation of performance-based reward systems in certain PRC subsidiaries led to higher salaries and other related costs. Administrative expenses to revenue ratio increased from 1.2% in 2006 to 1.7% in 2007.

Re-assessment of alumina purchasing rights

Because of the drastic decline in alumina prices in the third quarter of 2006, in accordance with an independent valuation report, the Group made a provision for impairment of alumina purchasing rights of HK$877.6 million and wrote back a provision of HK$288.4 million for sales contract obligations in 2006.

In the first half of 2007, alumina prices recovered a lot and moved in a more narrow range. In view of this, another independent valuation was performed on 30 June 2007. Based on this valuation, the Group reversed part of the above provision for impairment of alumina purchasing rights, amounting to HK$257.6 million. The Directors considered that no further adjustments to this provision were necessary in the second half of the year because alumina prices showed no substantial movements and there were no significant changes in market conditions and forecasts in the foreseeable future since the last valuation.

Management Discussion and Analysis

FINANCIAL REVIEW *(cont'd)*

Fair value losses on convertible bonds

In the first half of 2007, the Group incurred losses of HK$182.0 million for the fair value changes on its convertible bonds. With the removal of a cash settlement option relating to the bonds (details of which can be referred to the joint announcement issued by the Company and First Harvest Limited, a wholly owned subsidiary of the Company, on 20 June 2007), no such losses were then reported in the second half of the year.

Other income

Other income increased from HK$26.9 million in 2006 to HK$90.5 million in 2007. The increase was mainly due to the tax refund granted to the Group as a result of its reinvestment in a PRC subsidiary.

Other gains/(losses) – net

The Group recorded other gains – net of HK$164.1 million in 2007 and other losses – net of HK$83.9 million in 2006. The change was mainly related to the increase in exchange gains of HK$113.3 million as a result of the appreciation of Renminbi against other currencies over the year as well as the turnaround in the fair value of aluminium forward contracts from a loss of HK$153.6 million in 2006 to a gain of HK$31.0 million in 2007.

In order to hedge against the price risk on alumina trading, the Group enters into aluminium forward contracts from time to time to lock up the profit. According to the Group's policy, such derivative transactions are only allowed for hedging and risk management purposes. Speculation is strictly prohibited. Broadly speaking, alumina and aluminium prices were basically in an upward trend from 2005 to 2006 and in a downward trend from 2006 to 2007. So, by taking positions in aluminium forward sales contracts (the purpose was to hedge against the possible price drops in the physical trade), the Group recorded a gain in 2007 and a loss in 2006.

Finance costs – net

During the year, finance costs – net of the Group increased by HK$34.8 million to HK$63.9 million. It was mainly due to the increase in fair value loss on interest rate swaps and interest on convertible bonds.

Management Discussion and Analysis

FINANCIAL REVIEW *(cont'd)*

Share of profits less losses in associates

The Group's associates posted satisfactory results in 2007. Their profits as shared by the Group increased from HK$29.9 million in 2006 to HK$34.3 million in 2007. The increase was mainly contributed by Sino Nickel Pty Ltd ("Sino Nickel") and Qingdao M.C. Packaging Limited ("QDMC").

Sino Nickel (40% owned) is mainly engaged in the trading of nickel concentrate. With higher trade volume and average selling price of nickel concentrate, Sino Nickel provided after-tax profit contribution of HK$30.8 million to the Group, representing 55% increase over the previous year.

QDMC (20% owned), mainly engaged in the sales and production of aluminium can, achieved remarkable profit growth for the year by implementing various product cost-saving measures. In 2007, after-tax profit contribution from QDMC amounted to HK$3.4 million, representing 188% increase over the previous year.

BUSINESS REVIEW

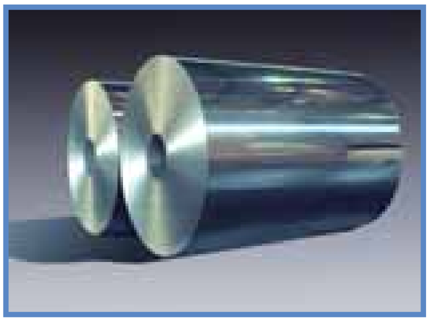
Shown below is a review on the results of the Group's principal business segments for the year.

Trading

In 2007, trading business accounted for 51% of the Group's external revenue (2006: 71%) and contributed HK$1,066.0 million (2006: HK$489.1 million) to the Group's operating profit. Alumina and aluminium ingots remained the major trading products for the year, representing about 74% and 26% respectively of the external revenue of this segment.

2007 was a year of challenges for the Group's trading segment. Surging local supply and hiking freight charges added much difficulty to the import trade of alumina. The volume of imported alumina into the PRC substantially decreased in 2007.

Compared to the volatile fluctuations in 2006, the market prices of alumina moved in a more narrow range in 2007. In 2006, prices once reached historical high of approximately RMB6,500 per tonne in the first-half of the year but quickly plunged into a low level of approximately RMB2,500 per tonne by the year end. After that, in 2007, prices rebounded rapidly in the first quarter and found support at the level of RMB3,900 per tonne. In the second quarter, prices weakened slightly and hovered around RMB3,600 to RMB3,900 per tonne. Alumina prices then remained relatively stable throughout the third quarter. And in the last two months of the year, prices started to rise again. By the end of 2007, market prices reached the level of about RMB4,200 to RMB4,500 per tonne.



Management Discussion and Analysis

BUSINESS REVIEW *(cont'd)*

Trading *(cont'd)*

Lower trade volume and average selling price led to a decline in the revenue of the Group's alumina trade. Set out below is a comparison of the sales volume, revenue and average selling price of which in 2007 and 2006.

Alumina Trading	**2007**			2006		
	First six months	**Last six months**	**Full year**	First six months	Last six months	Full year
Sales volume ('000 tonnes)	**543**	**585**	**1,128**	1,042	885	1,927
Revenue (HK$ million)	**1,874**	**2,080**	**3,954**	4,553	3,071	7,624
Average selling price*						
(HK$ per tonne)	**3,450**	**3,558**	**3,506**	4,369	3,470	3,956
(US$ per tonne)	**442**	**456**	**449**	560	445	507
(RMB per tonne)	**3,380**	**3,486**	**3,435**	4,529	3,598	4,102

* For illustrative purpose only, conversions between HK$ and RMB were based on the exchange rate of HK$1: RMB0.9796 for 2007 and HK$1: RMB1.0367 for 2006, conversions between US$ and HK$ were based on the exchange rate of US$1: HK$7.80 for both 2007 and 2006.

By leveraging on its competitive strengths in the imported alumina market, the Group expanded the tolling operation in 2007. Tolling is a process which involves the delivery of alumina by the Group to an aluminium smelter for processing into aluminium ingots and the on-sale of aluminium ingots by the Group to its customers. The Group's tolling operation produced approximately 108,000 tonnes of aluminium ingots in 2007, of which 24,600 tonnes were supplied to the Group's aluminium fabrication for its production use and the remaining 83,400 tonnes were for external sales. External revenue from the sale of aluminium ingots increased by 10% to HK$1,412.9 million in 2007.

Aluminium Fabrication

The Group engages in aluminium fabrication through a 51% owned subsidiary, North China Aluminium Company Limited ("NCA"). This segment accounted for 18% (2006: 12%) of the Group's external revenue and contributed HK$58.8 million (2006: HK$51.3 million) to the Group's operating profit for the year.

The upgrade and modernisation of production lines in previous years brought fruitful results to NCA in 2007. Enhanced production capacity enabled the successful implementation of its sales expansion plan. By more extensive development in overseas markets and the gradual shift of production to high value-added aluminium foils, NCA achieved remarkable growth during the year, with revenue and operating profit increased by 28% and 15% respectively. Total sales volume reached a record high of approximately 77,000 tonnes, representing 21% increase over previous year.

Management Discussion and Analysis

BUSINESS REVIEW *(cont'd)*

Aluminium Fabrication *(cont'd)*

During the year, NCA focused its efforts on streamlining its operational structure, improving product quality control and adopting a more customer-oriented selling approach to meet customers' needs. Through which, it has won widespread acceptance among local and overseas customers, particularly in the aluminium foil stock and light gauge aluminium foil markets.

To provide for further growth, NCA has started to build a new aluminium foil production plant in its existing factory site, which is located in the Heibei Province, PRC. The total construction cost is about RMB333 million (equivalent to approximately HK$356 million). It is expected that trial production can start by early 2009. Upon completion, the facility can expand NCA's annual aluminium foil production capacity by 25,000 tonnes or about 30% to 105,000 tonnes.

In order to enhance the Group's flexibility and efficiency in execution of its business strategy to develop a more integrated supply chain business, the Group announced its plan to increase its equity stake in NCA in June 2007, which included the acquisition of a further 16.31% equity interest in and a capital injection to NCA. When completed, the Group's interest in NCA will rise to approximately 73%.

Copper Fabrication and Plica Tubes Production

This segment accounted for 30% (2006: 17%) of the Group's external revenue and contributed HK$69.0 million (2006: HK$29.0 million) to the Group's operating profit in 2007.

The Group engages in copper fabrication through a 36% owned jointly controlled entity, Changzhou Jinyuan Copper Company Limited ("Changzhou Jinyuan"). During the year, Changzhou Jinyuan contributed revenue of HK$3,167.4 million (2006: HK$2,201.5 million) and operating profit of HK$64.9 million (2006: HK$24.0 million) respectively to the Group. Demands for copper rod and copper wire remained high throughout the year, even in traditional non-peak season. In 2007, sales volume of copper rod and copper wire of Changzhou Jinyuan increased by 22% and 73% respectively. Total sales quantity was about 189,000 tonnes. Volume growth, together with the lower production cost as a result of higher output, helped to boost the yield of Changzhou Jinyuan.

The Group engages in plica tubes production through a 51% owned subsidiary, Yinkou Orienmet Plica Tube Company Limited. Affected by the strong competition and price-cutting, operating profit contribution from plica tubes business to the Group decreased from HK$5.0 million in 2006 to HK$4.1 million in 2007.

Management Discussion and Analysis

OTHER FINANCIAL INFORMATION

Financial Resources and Liquidity

The Group's financial and liquidity position remained strong for 2007. Total assets and equity attributable to the Company's equity holders increased by 19.7% and 49.3% respectively to HK$9,724.4 million and HK$6,308.1 million respectively as at end of the year. As at 31 December 2007, current ratio was 2.3 (2006: 1.8).

As at 31 December 2007, the Group was in a net cash position of HK$1,248.6 million, representing cash and bank deposits of HK$2,921.5 million less total borrowings of HK$1,672.9 million (comprising bank borrowings of HK$1,194.6 million and advances from banks for discounted bills of HK$478.3 million). Hence, gearing ratio (defined as total borrowings less cash and bank deposits divided by shareholders' equity) is not applicable.

The Group's cash and bank deposits, amounting to HK$2,921.5 million as at 31 December 2007, were mainly denominated in Hong Kong dollars (21%), Renminbi (58%) and US dollars (20%).

During the year, the Group's total borrowings increased from HK$1,367.9 million to HK$1,672.9 million, mainly due to the increase in advances from banks for discounted bills. There is no particular seasonality of the Group's bank borrowings. As at 31 December 2007, the profile of the Group's bank borrowings was as follows:

(1) 47% were in Renminbi and 53% were in US dollars;

(2) 56% were in fixed rate and 44% were in floating rate;

(3) 60% were repayable within 1 year, 4% were repayable between 1 and 2 years, 12% were between 2 and 5 years and 24% were repayable after 5 years.

Significant Investments Held

In 2007, the Group made no addition or disposal for the equity securities it held in Sino Gold Limited (a gold mining company with primary listing in Australia and secondary listing in Hong Kong). At 31 December 2007, the Group held approximately 10 million shares in Sino Gold Limited, with a market value of approximately HK$476.1 million, representing an appreciation of approximately HK$25.2 million or 6% over previous year. These securities were classified as available-for-sale financial assets in the Group's consolidated balance sheet and their fair value changes were recognised in equity.

Management Discussion and Analysis

OTHER FINANCIAL INFORMATION *(cont'd)*

Material Acquisitions and Disposals

(a) *Acquisition of equity interests and additional investments in NCA*

In June 2007, Riseup Dragon Limited, a wholly-owned subsidiary of the Company, entered into an agreement to acquire 16.31% equity interest in NCA, a subsidiary engaged in aluminium fabrication and owned as to 51% by the Group before this acquisition. The consideration was approximately RMB72.9 million (equivalent to approximately HK$75.1 million). After this acquisition, the Group will also provide a capital injection in cash of RMB98.8 million (equivalent to approximately HK$101.8 million) to NCA to support the construction of a new production plant.

The above-mentioned acquisition, already completed in mid-January 2008, has increased the Group's stake in NCA to 67.31%. The above-mentioned capital injection, to be completed in later time of 2008, will further increase the Group's stake in NCA to approximately 73%. For further details, please refer to the Company's announcement dated 25 June 2007.

(b) *Investment in Qinghai Province Investment Group Limited ("Qinghai Investment")*

In October 2007, the Company announced that the Group had entered into agreements in relation to the investment of 20% stake in Qinghai investment. The total equity contribution to be made by the Group is approximately RMB680.3 million (equivalent to approximately HK$700.7 million) and deposits of approximately US$28.7 million (equivalent to approximately HK$223.6 million) was made before the end of 2007.

Qinghai Investment is a Sino-foreign equity joint venture in the PRC. Its principal business activities are investment in industrial, energy resource, infrastructure and agricultural businesses. Its major assets include aluminium smelters, hydro power plants, coal reserves and aluminium fabrication plant under construction.

The Group's investment in Qinghai Investment is a step forward for its integrated supply chain for aluminium business. It will help establish a long-term and stable supply relationship with Qinghai Investment's aluminium smelting business for the Group's alumina sales. This investment is expected to also open the door for the Group's future resources and business development opportunities in the Qinghai Province, PRC. For further details, please refer to the Company's circular issued on 2 November 2007.

(c) *Acquisition of equity interest in Guangxi Huayin Aluminium Company Limited ("Guangxi Huayin")*

In November 2007, the Company announced that the Group had entered into agreements in relation to the acquisition of 33% equity interest in Guangxi Huayin for a consideration of approximately RMB856.0 million (equivalent to approximately HK$890.2 million). This acquisition has been approved by the Company's independent shareholders in the extraordinary general meeting held on 18 December 2007 and the acquisition is expected to be completed in the first half of 2008.

Management Discussion and Analysis

OTHER FINANCIAL INFORMATION *(cont'd)*

Material Acquisitions and Disposals *(cont'd)*

(c) Acquisition of equity interest in Guangxi Huayin Aluminium Company Limited ("Guangxi Huayin") (cont'd)

Guangxi Huayin is a company established in the PRC for the purpose of an alumina project to develop bauxite resources in the Guangxi region of the PRC and to engage in the production and sale of alumina and related products. Guangxi Huayin has a planned annual alumina production capacity of 1.6 million tonnes.

The Group's investment in Guangxi Huayin is expected to increase its secured source of alumina for its trading business and represents a good leverage on its existing market position to achieve further vertical integration by extending to the upstream alumina production aspect of the business chain. For more details, please refer to the Company's circular issued on 26 November 2007.

(d) Disposal of investment properties

In March 2007, the Group disposed certain investment properties located in Macau with a carrying value of HK$2.2 million and realised a gain of HK$0.1 million.

(e) Disposal of interests in an associate

In April 2007, the Group disposed its 30% equity interest in an associate, Huludao Orienmet Copper Company Limited, and recognised a gain of HK$1,360,000. Since full provision had already been made by the Group in previous years, the disposal of this investment did not have any adverse impact on the Group's result and financial position.

Save as disclose above, there was no material acquisition or disposal by the Group in 2007.

Share Capital and Convertible Bonds

During the year, the Company issued 341,880,278 ordinary shares for the conversion of convertible bonds and 2,400,000 ordinary shares for the exercise of share options. As a result of these, the issued share capital of the Company increased to approximately HK$102,936,000 as at 31 December 2007.

As all convertible bonds of the Group had been converted into ordinary shares of the Company during the year, there were no convertible bonds outstanding as at 31 December 2007.

Management Discussion and Analysis

OTHER FINANCIAL INFORMATION *(cont'd)*

Contingent Liabilities

The Group had no material contingent liability as at 31 December 2007 (2006: an amount not exceeding HK$1.5 million in relation to the potential additional charges for unsettled property taxes in the PRC).

Capital Expenditure and Commitments

The total capital expenditure of the Group amounted to approximately HK$24.3 million for 2007, which was mainly used in the expansion and upgrade of production facilities in the Group's fabrication businesses.

At 31 December 2007, the Group had the following capital commitments:

(1) approximately HK$397.7 million in relation to the construction of a new aluminium foil plant by NCA as well as the expansion of other production facilities; and

(2) approximately HK$1,566.6 million in relation to the acquisitions of equity interests in NCA, Qinghai Investment and Guangxi Huayin.

Charge on Assets

At 31 December 2007, the following assets of the Group were pledged to certain banks for the banking facilities granted to the Group:

(1) All the equity interests of a wholly owned subsidiary, Sino Mining Alumina Limited ("Sino Mining") and all the assets of Sino Mining;

(2) Certain property, plant and equipment and land use rights of the Group with a total carrying amount of approximately HK$400.0 million; and

(3) Bank deposits of approximately HK$41.1 million.

Management Discussion and Analysis

OTHER FINANCIAL INFORMATION *(cont'd)*

Risk Management

The Group does not and is prohibited to enter into derivative contracts for speculative purpose. All derivative transactions are only allowed for the purpose of mitigating of risks arising from the Group's operating activities. Shown below are the major risk exposures and the related hedges of the Group.

(a) Commodity price risk

The Group has used aluminium forward contracts from time to time to hedge against the commodity price risk exposure on its alumina trading. At 31 December 2007, the Group had a short position in aluminium forward contracts, with an amount of 13,000 tonnes of aluminium.

(b) Interest rate risk

To reduce the impact of interest rate fluctuation on its operation, the Group has arranged interest rate swap for its floating-rate bank borrowings. The total notional principal amount of the outstanding interest rate swap was approximately HK$534.0 million at 31 December 2007.

(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 exposure for the transactions conducted in HKD or USD. However, exchange rate fluctuation between RMB or AUD and HKD could affect the Group's performance and asset value. The Group had no outstanding foreign exchange forward contracts at 31 December 2007.

Human Resources

At 31 December 2007, the Group's headcount stood at approximately 2,400 (not including the employees of jointly controlled entities and associates), of which 15 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$105.5 million for 2007.

The Group regards quality staff as one of the key factors to corporate success and has adopted salary policies in line with market and local practices. Share option benefit, discretionary bonus, and other incentives are offered to eligible staff based on their performance and contribution to the Group. In addition, the Group has provided training to its staff at different levels to enhance their personal growth and career development.

Directors and Senior Management

DIRECTORS

Chairman

Mr. ZHOU Zhongshu, aged 55, was appointed as the chairman and a non-executive director of the Company in October 2005. He is the president of China Minmetals Corporation ("China Minmetals"), the chairman of each of China Minmetals Non-ferrous Metals Company Limited and China Minmetals H.K. (Holdings) Limited and the chairman and a non-executive director of Minmetals Land Limited (a company listed on The Stock Exchange of Hong Kong Limited). He has been the chairman of Minmetals Development Co., Ltd. (a company listed on the Shanghai Stock Exchange) since March 2005. Mr. Zhou has also served as a director of Peak Strategic Industries Limited, a subsidiary of the Company. He graduated from Shanghai International Studies University in the PRC and majored in Spanish language. He joined the China Minmetals Group in 1978. From 2000 to 2002, Mr. Zhou was the Commercial Counsellor of the Chinese Embassy in Spain. Mr. Zhou has over twenty two years of experience in non-ferrous metals industry.

Executive Directors

Mr. XU Huizhong, aged 50, was appointed as an executive director of the Company in April 2002 and has become the president of the Company since May 2002. Mr. Xu is responsible for the management of the operations and the strategic planning of the Group. He is an employee of China Minmetals Corporation ("China Minmetals"). He has also served as a director of a number of subsidiaries and certain associates of the Company. Mr. Xu graduated from the University of International Business and Economics, the PRC in 1979. He joined the China Minmetals Group in 1979 and 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 two years. Mr. Xu has extensive experience in international trading, property development and investment, investment strategies and corporate management.

Mr. REN Suotang, aged 44, was appointed as an executive director and a vice president of the Company in September 2006. He has also served as a director of six subsidiaries of the Company, namely First Harvest Limited, Minmetals Resources Aluminium Company Limited, Riseup Dragon Limited, Shining Boom Limited, Topstart Limited and Wise Plenty Limited. Mr. Ren 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. He also obtained a Certificate for Senior Economist in International Business from the Ministry of Foreign Trade and Economics Cooperation in the PRC in 1996. Mr. Ren joined China Minmetals Corporation ("China Minmetals") in 1987 and worked for a number of subsidiaries of China Minmetals both in the PRC and overseas. From 1995 to 1999, he was the deputy general manager of Division 2 of General Import Department of China Minmetals. From 1999 to 2005, he held senior management positions in the overseas subsidiaries of China Minmetals in Brazil. Mr. Ren has extensive experience in international metals trading and corporate management.

Directors and Senior Management

DIRECTORS *(cont'd)*

Non-executive Directors

Ms. SHEN Ling, aged 46, was appointed as a non-executive director of the Company in October 2005. She is the chief financial officer of China Minmetals Corporation ("China Minmetals"). She has been a director of each of China Minmetals Non-ferrous Metals Company Limited and China Minmetals H.K. (Holdings) Limited since 2004 and a director of Minmetals Development Co., Ltd. (a company listed on the Shanghai Stock Exchange) since 2003. Ms. Shen has also served as a director of Peak Strategic Industries Limited, a subsidiary of the Company. She holds a Bachelor of Arts degree in business planning statistics from Anhui Institute of Finance and Trade in the PRC. Ms. Shen joined the China Minmetals Group in 1987. She has over twenty two years of experience in accounting and corporate financial management.

Mr. ZHANG Shoulian, aged 53, was appointed as a non-executive director of the Company in October 2005 and tendered his resignation in January 2008. He graduated from the Dongbei University of Finance and Economics in the PRC majoring in foreign trade and economics. From 1982 to 1993, Mr. Zhang worked for the Economics and Trade Bureau of the State Planning Commission. He joined the China Minmetals Group in 1994, and was the general manager of the Strategy and Planning Division of the group from 1999 to 2000, the vice president of China Minmetals Non-ferrous Metals Company Limited ("CMN") from 2001 to 2003 and the president of CMN from 2003 to 2007. Mr. Zhang also served as the executive commissioner of the International Tungsten Industry Association since September 2006. He has over twelve years of experience in the non-ferrous metals industry.

Mr. ZONG Qingsheng, aged 48, was appointed as a non-executive director of the Company in October 2005. He is the general manager of the investment management department of China Minmetals Corporation ("China Minmetals"). He has been a director of each of China Minmetals Non-ferrous Metals Company Limited and China Minmetals H.K. (Holdings) Limited 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 has also served as a director of North China Aluminium Company Limited, a subsidiary of the Company. He 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, Mr. Zong worked in the Ministry of Foreign Trade and Economic Cooperation. He joined the China Minmetals Group in 1995. Mr. Zong has over twenty two years of experience in foreign trade, business management and investment.

Mr. WANG Lixin, aged 40, 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. He is the president of China Minmetals Non-ferrous Metals Company Limited. Mr. Wang has also served as a director of nine subsidiaries of the Company, namely First Harvest Limited, Minmetals Aluminium Company Limited, Minmetals Non-ferrous Lianyungang Company Limited, Minmetals Resources Aluminium Company Limited, Shining Boom Limited, Sino Mining Alumina Limited, Sino Mining International Limited, Topstart Limited and Wise Plenty Limited. Mr. Wang earned his Bachelor of Arts degree in International Trade from the University of International Business and Economics in the PRC in 1990. Mr. Wang joined the Ministry of Foreign Trade and Economic Cooperation in 1990 and subsequently, the China Minmetals Group in 1995. He has over twelve 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. LI Linhu, aged 53, was appointed as a non-executive director of the Company in October 2005 and tendered his resignation in June 2007. He is the general manager of the human resources department of China Minmetals Corporation ("China Minmetals") and has been a director of each of China Minmetals Non-ferrous Metals Company Limited and China Minmetals H.K. (Holdings) Limited since 2004. He graduated from the University of International Business and Economics in the PRC and majored in Spanish language. From 1979 to 1986, Mr. Li worked in the Ministry of Foreign Trade and Ministry of Foreign Economic Relations and Trade. From 1991 to 1996, he worked in the Ministry of Foreign Trade and Economic Cooperation. Mr. Li joined the China Minmetals Group in 1996. He has over twelve years of experience in foreign trade and corporate management.

Mr. CUI Hushan, aged 50, was appointed as a non-executive director of the Company in June 2007. Mr. Cui has been a director and deputy general manger of China Minmetals H.K. (Holdings) Limited 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. He joined China Minmetals Corporation ("China Minmetals") in 1988 and had been assigned to a number of departments and subsidiaries in the China Minmetals Group. From 1994 to 1998, Mr. Cui was the deputy general manager of Minmetals Shenzhen Trading Company. 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. Mr. Cui has extensive experience in international business and corporate planning and management.

Independent Non-executive Directors

Mr. LIU Hongru, aged 77, was appointed as an independent non-executive director of the Company in September 2004. Mr. Liu graduated from the University of Moscow in 1959 with an associate doctorate's degree. He was a vice governor of each of the Agricultural Bank of China and the People's Bank of China, a deputy director of the State Economic Restructuring Committee, and the chairman of the China Securities Regulatory Commission. Mr. Liu is currently the chairman of The Chinese Financial Education Development Foundation and Capital Market Research Institute, an independent non-executive director of each of PetroChina Company Limited and CITIC 21CN Company Limited, and a non-executive director of Concepta Investments Limited. He is also a professor at the Postgraduate School of the People's Bank of China, Peking University, Tsinghua University and the City University of Hong Kong.

Directors and Senior Management

DIRECTORS *(cont'd)*

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

Mr. CHAN Wai Dune, aged 55, was appointed as an independent non-executive director of the Company in May 2002. Mr. Chan is also an independent non-executive director of each of Chuang's China Investments Limited, Chuang's Consortium International Limited, Graneagle Holdings Limited, Hualing Holdings Limited, Hunan Nonferrous Metals Corporation Limited, Sam Woo Holdings Limited and Jinheng Automotive Safety Technology Holdings Limited. Mr. Chan has over twenty seven years of experience in the finance sector, particularly in the areas of auditing and taxation. He 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. Mr. Chan is currently a member of CPPCC of the 11th Guangzhou Municipal Committee and a member of the Executive Council of China Overseas Friendship Association. He was a member of the Selection Committee for the establishment of the First Government of the Hong Kong Special Administrative Region. Mr. Chan is currently the managing director of CCIF CPA Limited.

Mr. TING Leung Huel, Stephen, aged 54, was appointed as an independent non-executive director of the Company in June 2002. He is also a non-executive director of Chow Sang Sang Holdings International Limited and an independent non-executive director of six listed companies namely Tong Ren Tang Technologies Company Limited, Tongda Group Holdings Limited, JLF Investment Company Limited, Computer and Technologies Holdings Limited, Texhong Textile Group Limited and Dongyue Group 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).

SENIOR MANAGEMENT OF THE COMPANY

Mr. TANG Xiaojin, aged 46, was appointed as the vice president of the Company in October 2003. Mr. Tang is responsible for overseeing the Group's industrial investments in the PRC. He is also an employee of China Minmetals Corporation. 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 principal 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, he joined the personnel department of the previous China National Non-ferrous Metals Industry Corporation. Mr. Tang qualified as a senior engineer in 1994 and has over twenty four years of experience in the non-ferrous metals industry.

Directors and Senior Management

SENIOR MANAGEMENT OF THE COMPANY *(cont'd)*

Mr. CHAN Chi Kong, Morison, aged 40, was appointed as the chief financial officer of the Company in January 2008. Mr. Chan is responsible for the overall financial management and investors relation functions of the Group. He 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. Mr. Chan 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. He is also a CFA charterholder of the Chartered Financial Analyst Institute. Prior to joining the Group, Mr. Chan held various senior finance positions with the Stock Exchange of Hong Kong Limited 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 38, joined the Group in 1998 and was appointed as the financial controller of the Company in August 2002. Mr. Chu holds a Master's degree in Corporate Finance from The Hong Kong Polytechnic University. He 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, Mr. Chu worked in an international accounting firm. He has over fifteen years of experience in financial management and auditing.

SENIOR MANAGEMENT OF SUBSIDIARIES

Mr. LI Liangang, aged 44, joined the Group in October 2005, is the president of Sino Mining International Limited ("SMI") and the vice general manager of Minmetals Aluminium Company Limited, both are the subsidiaries of the Company. Mr. Li is a director of five subsidiaries of the Company, namely Minmetals Aluminium Company Limited, Sino Mining Alumina Limited, SMI, Sino Mining Trading Pty Ltd and Sino Nickel Pty Ltd. He is responsible for sourcing and importing alumina. He graduated from the Teacher's College for Foreign Language of Beijing Union University in the PRC and majored in English language. He joined the China Minmetals Group in 1987 and worked for a number of overseas subsidiaries of the China Minmetals Group from 1989 to 1998. He has over eleven years of working experience in the non-ferrous metals industry.

Mr. WANG Ji, aged 46, joined the Group in October 2005, is the vice general manager of Minmetals Aluminium Company Limited and the managing director of Minmetals Non-ferrous Lianyungang Company Limited, both are the subsidiaries of the Company. He earned his MBA 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 twelve years of experience in foreign trade and corporate management.

Directors and Senior Management

SENIOR MANAGEMENT OF SUBSIDIARIES *(cont'd)*

Mr. WANG Xiaolei, aged 36, joined the Group in October 2005, is the vice general manager of Minmetals Aluminium Company Limited. Mr. Wang is a director of each of Minmetals Non-ferrous Lianyungang Company Limited, North China Aluminium Company Limited and Sino Mining Alumina Limited, all of which are the subsidiaries of the Company. He is mainly responsible for sales and marketing of metal products and related work. He 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. Subsequently, Mr. Wang joined the China Minmetals Group in 1996. He has over twelve years of working experience in the trading of metal products.

Mr. JIANG Shixiong, aged 45, joined the Group in 1994, is a director and the general manager of North China Aluminium Company Limited, a subsidiary of the Company. Mr. Jiang graduated from the University of Science and Technology Beijing in the PRC in 1984 with a Bachelor's degree in Mining and obtained a MBA degree from the Renmin University of China in the PRC in 2005. Mr. Jiang joined the previous China National Non-ferrous Metals Industry Corporation in 1984 and subsequently, the China Minmetals Group in 2000. He has over twenty three years of experience in foreign trade and corporate management.

Mr. MA Jianxiang, aged 53, joined the Group in 1998, is the general manager of Yingkou Orienmet Plica Tube Company Limited ("YOPT"), a subsidiary of the Company. He earned his Bachelor's degree in Ferrous Metal Refining from Shenyang North Eastern University in the PRC in 1978. Mr. Ma 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, he was the general manager of 遼寧無線電三廠 (Liaoning Wireless No. 3 Factory). Mr. Ma has been the general manager of YOPT since 1998. He 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 2007.

PRINCIPAL ACTIVITIES

The Company is principally engaged in investment holding. The activities of its subsidiaries, jointly controlled entities and associates are principally engaged in the trading of non-ferrous metals and the manufacturing and distribution of aluminium and copper products, details of which are set out in Notes 19 to 21 to the financial statements.

An analysis of the Group's revenue by business and geographical segments, together with their respective contributions to profit from operations for the year ended 31 December 2007 is set out in Note 5 to the financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

The information in respect of the Group's sales and purchases attributable to the major customers and suppliers during the year is as follows:

	Percentage of the Group's Total	
	Sales	**Purchases**
The largest customer	10%	–
Five largest customers in aggregate	34%	–
The largest supplier	–	12%
Five largest suppliers in aggregate	–	46%

None of the directors, their associates (as defined in the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange")) or any shareholders of the Company (which to the knowledge of the directors owned more than 5% of the Company's share capital) had a beneficial interest in the Group's five largest customers and suppliers.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2007 are set out in the consolidated income statement on page 49.

An interim dividend of 0.5 HK cent per share was paid to the shareholders on 15 October 2007. The Board has recommended the payment of a final dividend of 2.5 HK cents per share for the year ended 31 December 2007. Subject to the approval of shareholders at the forthcoming annual general meeting to be held on 14 May 2008, the proposed final dividend will be paid at around end of June 2008 to the shareholders whose names appear on the register of members of the Company on 14 May 2008. The register of members of the Company will be closed from 8 May 2008 to 14 May 2008, both days inclusive.

Directors' Report

RESERVES

Movements in reserves of the Company and the Group during the year are set out in Note 31 to the financial statements.

DONATIONS

Donations made by the Group during the year for charitable and community purposes amounted to approximately HK$34,000.

PROPERTY, PLANT AND EQUIPMENT

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

SHARE CAPITAL

Details of the movements in the share capital of the Company are set out in Note 30 to the financial statements.

CONVERTIBLE BONDS

Details of the convertible bonds of the Group are set out in Note 34 to the financial statements.

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)*

Executive Directors

Mr. Xu Huizhong
Mr. Ren Suotang

Non-executive Directors

Ms. Shen Ling	
Mr. Zhang Shoulian	(Resigned on 1 January 2008)
Mr. Zong Qingsheng	
Mr. Wang Lixin	(Re-designated on 1 January 2008)
Mr. Li Linhu	(Resigned on 1 June 2007)
Mr. Cui Hushan	(Appointed on 1 June 2007)

Directors' Report

DIRECTORS *(cont'd)*

Independent Non-executive Directors

Mr. Liu Hongru
Mr. Chan Wai Dune
Mr. Ting Leung Huel, Stephen

Mr. Li Linhu resigned as a non-executive director of the Company on 1 June 2007. On the same date, Mr. Cui Hushan was appointed as a non-executive director by the Board of the Company to fill a casual vacancy of the Board. In compliance with article 85 of the articles of association of the Company, Mr. Cui had retired and offered himself for re-election at the extraordinary general meeting of the Company held on 18 December 2007 and was re-elected at the same meeting.

Mr. Zhang Shoulian resigned as a non-executive director of the Company on 1 January 2008. On the same date, Mr. Wang Lixin was re-designated from an executive director to a non-executive director of the Company. In accordance with the article 85 of the articles of association of the Company, Mr. Wang will retire at the forthcoming annual general meeting of the Company and, being eligible, offer himself for re-election at the same meeting.

In accordance with article 101 of the articles of association of the Company, Mr. Zhou Zhongshu, Ms. Shen Ling 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 Listing Rules 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' Report

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

As at 31 December 2007, the interests and short positions of the directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) 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 were taken or deemed to have under such provisions of the SFO) or which were required to be and were recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules were as follows:

Long position in the underlying shares of the Company

Name of director	Nature of interest	Number of underlying shares held *(Note 1)*	Approximate percentage of total number of issued shares *(Note 2)*
Zhou Zhongshu	Personal	3,000,000	0.15%
Xu Huizhong	Personal	2,600,000	0.13%
Shen Ling	Personal	1,500,000	0.07%
Zhang Shoulian	Personal	1,500,000	0.07%
Zong Qingsheng	Personal	1,500,000	0.07%
Wang Lixin	Personal	2,000,000	0.10%

Notes:

1. The directors' interests in the underlying shares are share options granted by the Company pursuant to the 2004 Share Option Scheme, details of which are set out under the section headed "Share Option Schemes".

2. The calculation is based on the number of underlying shares as a percentage of the total number of issued shares of the Company (i.e. 2,058,720,799 shares) as at 31 December 2007.

Save as disclosed above, as at 31 December 2007, other than a nominee share in a subsidiary held by a director of the Company in trust for the Company, none of the directors or the chief executive of the Company or any of their associates had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) 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. In addition, save as disclosed above, none of the directors or the chief executive of the Company nor their spouses or children under 18 years of age had been granted or had exercised any rights to subscribe for any equity or debt securities of the Company or any of its associated corporations (within the meaning of Part XV of the SFO).

Directors' Report

SHARE OPTION SCHEMES

1994 Share Option Scheme

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

The following is a summary of the principal terms of the 1994 Share Option Scheme:

1. Purpose

The 1994 Share Option Scheme was established to recognise and acknowledge the contributions that eligible participants had made or might make to the Group in order to attract and retain high calibre employees of the Group.

2. Participants

Any employees including directors of the Group.

3. Total number of shares available for issue under the 1994 Share Option Scheme

No further options may be granted under the 1994 Share Option Scheme as it had expired on 24 November 2004.

4. Maximum entitlement of each participant

The maximum number of shares in respect of which options might be granted to any one employee should not exceed 25% of the maximum number of shares in respect of which options might be granted under the 1994 Share Option Scheme.

Effective from 1 September 2001, the total number of shares of the Company issued and to be issued upon exercise of options (including both exercised and outstanding) granted in any 12-month period to each participant must not exceed 1% of the shares of the Company in issue in accordance with the revised provisions as set out in Chapter 17 to the Listing Rules.

Directors' Report

SHARE OPTION SCHEMES *(cont'd)*

1994 Share Option Scheme *(cont'd)*

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

   An option may be exercised in whole or in part at any time after the date on which the option is deemed to have been granted and from time to time or before the date which is three years after such date.

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

   Not applicable

7. **Amount payable on acceptance of the option**

   A non-refundable remittance of HK$10.00 by way of consideration for the grant of an option was required to be paid by each grantee upon acceptance of the option.

8. **Basis of determining the exercise price**

   The exercise price was determined by the Board of the Company and would not be less than (i) 80% of the average of the closing prices of the shares on the Stock Exchange on the five business days immediately preceding the date of granting of options or (ii) the nominal value of the shares, whichever is the higher.

   Effective from 1 September 2001, the exercise price must be at least the higher of (i) the closing price of the shares on the date of grant, which must be a business day, (ii) the average closing price of the shares for the five business days immediately preceding the date of grant, and (iii) the nominal value of a share of the Company in accordance with the revised provisions as set out in Chapter 17 to the Listing Rules.

9. **The remaining life of the 1994 Share Option Scheme**

   The life of the 1994 Share Option Scheme was until 24 November 2004.

Directors' Report

SHARE OPTION SCHEMES *(cont'd)*

1994 Share Option Scheme *(cont'd)*

During the year, the movements of the options which have been granted under the 1994 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 2007	Exercised during the year	Cancelled during the year	Lapsed during the year	Balance as at 31 December 2007
Director								
Xu Huizhong	15 March 2004 *(Note 1)*	3.115	16 March 2004 to 15 March 2007	2,000,000	–	–	(2,000,000) *(Note 2)*	–
Employees of the Group	15 March 2004 *(Note 1)*	3.115	16 March 2004 to 15 March 2007	4,030,000	–	–	(4,030,000) *(Note 2)*	–
				6,030,000	–	–	(6,030,000)	–

Notes:

1. In respect of the options granted on 15 March 2004, the closing price of the shares of the Company immediately before the date on which the options were granted was HK$3.00 per share.

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

Directors' Report

SHARE OPTION SCHEMES *(cont'd)*

2004 Share Option Scheme

Pursuant to the share option scheme adopted by the Company on 28 May 2004 (the "2004 Share Option Scheme"), there were 19,100,000 options outstanding as at 31 December 2007.

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.

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 39,234,961 shares, representing approximately 1.91% 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.

Directors' Report

SHARE OPTION SCHEMES *(cont'd)*

2004 Share Option Scheme *(cont'd)*

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.

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.

Directors' Report

SHARE OPTION SCHEMES *(cont'd)*

2004 Share Option Scheme *(cont'd)*

Details of the outstanding options which have been granted under the 2004 Share Option Scheme during the year 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 2007**	**Granted during the year**	**Exercised during the year**	**Cancelled during the year**	**Lapsed during the year**	**Balance as at 31 December 2007**
Directors									
Zhou Zhongshu	18 April 2006 *(Note 1)*	2.725	18 April 2006 to 17 April 2009	3,000,000	–	–	–	–	3,000,000
Xu Huizhong	18 April 2006 *(Note 1)*	2.725	18 April 2006 to 17 April 2009	2,600,000	–	–	–	–	2,600,000
Shen Ling	18 April 2006 *(Note 1)*	2.725	18 April 2006 to 17 April 2009	1,500,000	–	–	–	–	1,500,000
Zhang Shoulian	18 April 2006 *(Note 1)*	2.725	18 April 2006 to 17 April 2009	1,500,000	–	–	–	–	1,500,000
Zong Qingsheng	18 April 2006 *(Note 1)*	2.725	18 April 2006 to 17 April 2009	1,500,000	–	–	–	–	1,500,000
Wang Lixin	18 April 2006 *(Note 1)*	2.725	18 April 2006 to 17 April 2009	2,000,000	–	–	–	–	2,000,000
Li Linhu	18 April 2006 *(Note 1)*	2.725	18 April 2006 to 17 April 2009	1,500,000	–	–	–	(1,500,000) *(Note 4)*	–
Employees of the Group	18 April 2006 *(Note 1)*	2.725	18 April 2006 to 17 April 2009 *(Note 2)*	9,900,000	–	(2,400,000) *(Note 3)*	–	(500,000) *(Note 4)*	7,000,000
				23,500,000	–	(2,400,000)	–	(2,000,000)	19,100,000

Directors' Report

SHARE OPTION SCHEMES *(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. Save as one employee who has been granted 1,000,000 options on 18 April 2006 with a vesting period of 18 months starting from 22 February 2006 till 21 August 2007.

3. The weighted average closing price of the shares of the Company immediately before the respective dates on which the options were exercised was HK$5.50.

4. Options lapsed due to cessation of employment.

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 2007, 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	62.39%
China Minmetals Non-ferrous Metals Company Limited ("CMN")	Interest of controlled corporation *(Note 2)*	1,099,090,909	53.39%
Top Create Resources Limited ("Top Create")	Beneficial owner *(Note 2)*	1,099,090,909	53.39%
China Minmetals H.K. (Holdings) Limited ("Minmetals HK")	Interest of controlled corporation *(Note 3)*	185,376,917	9.00%
Coppermine Resources Limited ("Coppermine")	Beneficial owner *(Note 3)*	185,376,917	9.00%

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. 2,058,720,799 shares) of the Company as at 31 December 2007.

2. Top Create is a wholly owned subsidiary of CMN which in turn is owned as to approximately 82.23% by China Minmetals. Accordingly, CMN and China Minmetals were by virtue of the SFO deemed to be interested in the 1,099,090,909 shares of HK$0.05 each of the Company held by Top Create as at 31 December 2007.

3. Coppermine is a wholly owned subsidiary of Minmetals HK which in turn is a wholly owned subsidiary of China Minmetals. Accordingly, Minmetals HK and China Minmetals were by virtue of the SFO deemed to be interested in the 185,376,917 shares of HK$0.05 each of the Company held by Coppermine as at 31 December 2007.

Save as disclosed above, as at 31 December 2007, there were no other person (other than the directors or chief executive of the Company) 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 2007, the Group had the following connected transactions, details of which are set out below:

1. On 23 December 2006, Sino Mining Trading Pty Ltd. ("Sino Mining Trading")(as buyer), an indirectly wholly owned subsidiary of the Company, entered into an agreement in its ordinary course of business with Sherwin Alumina Company ("Sherwin")(as seller) to purchase approximately 35,000 tonnes (with +/- 5% variance) of alumina at a price of US$200 per tonne subject to the terms and conditions thereof. The consideration under the aforesaid agreement was determined after arm's length negotiations by reference to the then prevailing spot price on a FOB (free on board) basis. A total of 36,750 tonnes of alumina was delivered by Sherwin to Sino Mining Trading and the aggregate consideration of US$7,350,000 was fully paid in January 2007 respectively. As Sherwin is indirectly owned as to 51% by CMN, the controlling shareholding of the Company, Sherwin is regarded as an associate of CMN and therefore is a connected person of the Company under the Listing Rules.

Directors' Report

CONNECTED TRANSACTIONS *(cont'd)*

2. On 9 May 2007, Minmetals Aluminium Company Limited ("Minmetals Aluminium")(as seller), an indirectly wholly owned subsidiary of the Company, entered into a first agreement (the "First Agreement") in its ordinary course of business with Suzhou Huameida Aluminium Co. Ltd. ("Suzhou Huameida")(as buyer) for the sale and purchase of approximately 900 tonnes of aluminium ingots for the period from May to July 2007 subject to the terms and conditions of the First Agreement. Subsequently, the Minmetals Aluminium entered into a second agreement (the "Second Agreement") in its ordinary course of business with Suzhou Huameida for the sale and purchase of approximately 2,250 tonnes of aluminium ingots up to 31 December 2007 pursuant to the terms and conditions of the Second Agreement. The actual aggregate consideration paid under the First Agreement and the Second Agreement was approximately RMB13,214,000 and RMB33,837,000 respectively. As Suzhou Huameida is wholly owned by Minmetals Inc. which in turn is wholly owned by China Minmetals, the ultimate controlling shareholder of the Company, Suzhou Huameida is regarded as an associate of China Minmetals and therefore is a connected person of the Company under the Listing Rules.

3. On 22 June 2007, Riseup Dragon Limited ("Riseup Dragon")(as purchaser), a directly wholly owned subsidiary of the Company, entered into an agreement with CITIC Investments Holdings Limited ("CITIC Investments")(as vendor) to acquire 16.31% equity interest in North China Aluminium Company Limited ("NCA") for a consideration of approximately RMB72,874,000. The consideration under the aforesaid agreement was determined after arm's length negotiations by reference to the unaudited net asset value of NCA as at 31 December 2006, prepared in accordance with the PRC generally accepted accounting principles. As at the date of the announcement on 25 June 2007, NCA is owned as to 51.00% indirectly by the Company and CITIC Investments is a substantial shareholder of NCA, accordingly, CITIC Investments is a connected person of the Company under the Listing Rules. The transaction was completed in January 2008, as such, Riseup Dragon's interest in NCA increased to 67.31%.

4. On 5 November 2007, the Company (as purchaser) and CMN (as vendor) entered into an agreement for the sale and purchase of a 33% equity interest in Guangxi Huayin Aluminium Company Limited ("Guangxi Huayin") for a consideration of approximately RMB885,998,000 payable by cash. Subsequently on 15 November 2007, the same parties entered into a supplemental agreement, whereby it was agreed that CMN shall transfer 33% equity interest in Guangxi Huayin to (i) the Company or (ii) a company specified by the Company (which may be Minmetals Aluminium or another company in which the Company holds 51% or more interest) in accordance with the terms and conditions thereof. The consideration was determined following commercial negotiations between the parties on an arm's length basis and with reference to various factors including, but not limited to, the total capital contribution for the 33% equity interest in Guangxi Huayin made by CMN to Guangxi Huayin of approximately RMB636,640,000 up to and including 5 November 2007 and the funding cost incurred by CMN for the capital contribution up to 5 November 2007, the anticipated demand of alumina in the PRC market and the then prevailing general market conditions. As at the date of the announcements on 5 November 2007 and 15 November 2007 respectively, CMN is a controlling shareholder of the Company with an indirect holding of approximately 51.17% of the issued share capital of the Company and is therefore a connected person of the Company under the Listing Rules. Details of these transactions are described in the Company's circular dated 26 November 2007. The aforesaid transactions were approved by the independent shareholders of the Company at the extraordinary general meeting held on 18 December 2007. Completion of the transaction is conditional upon the fulfillment of all the conditions precedent.

Directors' Report

CONTINUING CONNECTED TRANSACTIONS

On 28 June 2005, Minmetals Aluminium entered into a logistics services agreement with Minmetals Shipping & Forwarding Company Limited ("Minmetals Shipping") (the "Logistics Services Agreement") pursuant to which Minmetals Shipping agreed to provide and to procure its subsidiaries to provide shipping, customs clearance, unloading, packaging and custody services (the "Services") to Minmetals Aluminium and its subsidiaries for the period from 28 June 2005 to 31 December 2007.

As Minmetals Shipping is owned as to 71.7% by China Minmetals, the ultimate controlling shareholder of the Company, Minmetals Shipping is regarded as an associate of China Minmetals and therefore is a connected person of the Company under the Listing Rules.

The total logistics services fees paid to Minmetals Shipping and its subsidiaries for the Services for the year ended 31 December 2007 amounted to approximately RMB17,414,000 which did not exceed the proposed annual cap of RMB100,000,000 prescribed for the year ended 31 December 2007 as disclosed in the Company's circular dated 30 June 2005.

The above continuing connected transactions for the year ended 31 December 2007 have been reviewed by the independent non-executive directors of the Company and confirmed that the continuing connected transactions have been entered into:

1. in the ordinary and usual course of business of the Group;

2. either on normal commercial terms or on terms no less favorable to the Group than terms available to or from independent third parties;

3. in accordance with the terms of the Logistic Services Agreement that are fair and reasonable and in the interests of the shareholders of the Group as a whole; and

4. the total annual transaction value of the Logistics Services Agreement for the year ended 31 December 2007 has not exceeded the respective proposed annual cap amount as approved by the independent shareholders at the extraordinary general meeting of the Company held on 25 July 2005.

In addition, the auditors of the Company have reviewed the above continuing connected transactions and confirmed that the transactions:

1. have been approved by the Board;

2. have been entered into in accordance with the terms of the Logistic Services Agreement; and

3. have not exceeded the annual cap as approved by the independent shareholders at the extraordinary general meeting of the Company held on 25 July 2005.

Directors' Report

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.

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

During the year ended 31 December 2007, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

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 schemes as an incentive to the directors and eligible employees, details of the schemes are set out under the section headed "Share Option Schemes".

RETIREMENT SCHEMES

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

BANK BORROWINGS

Particulars of bank borrowings of the Company and the Group as at 31 December 2007 are set out in Note 33 to the 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 133 to 134 of this annual report.

Directors' Report

DIRECTORS AND SENIOR MANAGEMENT

Particulars of the directors and senior management of the Company are set out on pages 18 to 23 of this annual report.

AUDITORS

PricewaterhouseCoopers, who will retire at the forthcoming annual general meeting, being eligible, offer themselves for re-appointment.

CORPORATE GOVERNANCE REPORT

Details of the Corporate Governance Report are set out on pages 40 to 46 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.

By order of the Board
ZHOU Zhongshu
Chairman

Hong Kong, 31 March 2008

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintain a high standard of corporate governance practices by emphasizing 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 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 2007 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 2007.

BOARD OF DIRECTORS

Composition

The board of directors (the "Board") of the Company comprises ten Directors of which two are executive Directors, five 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. Xu Huizhong
Mr. Ren Suotang

Non-executive Directors

Mr. Zhou Zhongshu *(Chairman)*
Mr. Shen Ling
Mr. Zong Qingsheng
Mr. Wang Lixin
Mr. Cui Hushan

Independent Non-executive Directors

Mr. Liu Hongru
Mr. Chan Wai Dune
Mr. Ting Leung Huel, Stephen

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 23 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 to 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 2007, other than resolutions passed in writing by all the Directors, the Board held a total of ten regular and ad hoc Board meetings and a total of eight 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. Xu Huizhong	*(i)*	9/(10)	8/(8)
Mr. Wang Lixin	*(i) & (ii)*	9/(10)	6/(8)
Mr. Ren Suotang	*(i)*	9/(10)	8/(8)
Non-executive Directors			
Mr. Zhou Zhongshu *(Chairman)*	*(iii)*	10/(10)	
Ms. Shen Ling	*(iv)*	10/(10)	
Mr. Zhang Shoulian		10/(10)	
Mr. Li Linhu	*(v)*	6/(6)	
Mr. Zong Qingsheng		10/(10)	
Mr. Cui Hushan	*(vi)*	4/(4)	
Independent Non-executive Directors			
Mr. Liu Hongru	*(vii)*	8/(10)	
Mr. Chan Wai Dune		10/(10)	
Mr. Ting Leung Huel, Stephen		10/(10)	

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) Due to other business commitment, Mr. Wang Lixin has appointed Mr. Zhang Shoulian, a non-executive Director, to act as his alternate director to attend two of the regular Board meetings held during the year.

(iii) Due to other business commitment, Mr. Zhou Zhongshu has appointed Ms. Shen Ling, a non-executive Director, to act as his alternate director to attend one of the regular Board meetings held during the year.

(iv) Due to other business commitment, Ms. Shen Ling has appointed Mr. Zong Qingsheng, a non-executive Director, to act as her alternate director to attend one of the regular Board meetings held during the year.

(v) Resigned as a non-executive Director on 1 June 2007.

(vi) Appointed as a non-executive Director on 1 June 2007.

(vii) Due to other business commitment, Mr. Liu Hongru has appointed Mr. Ting Leung Huel, Stephen, an independent non-executive Director, to act as his alternate director to attend one of the regular Board meetings held during the year.

Chairman of the Board and Chief Executive Officer

The chairman of the Board is Mr. Zhou Zhongshu and the chief executive officer (or president, in the case of the Company) of the Company is Mr. Xu Huizhong. 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.

Under code provision E.1.2 of the CG Code, the chairman of the Board should attend the annual general meeting. The chairman of the Board had not attended the annual general meeting of the Company held on 17 May 2007 due to other business commitment. The chairman of the Board will endeavor to attend all future annual general meetings of the Company.

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.

Corporate Governance Report

BOARD OF DIRECTORS *(cont'd)*

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 provide adequate checks and balances to safeguard the interests of the Group and its shareholders. The Board consists of three independent non-executive Directors and two 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 2007 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.

During the year, one meeting was held by the Board to discuss and recommend the nomination of Mr. Cui Hushan as the non-executive Director to fill a casual vacancy of the Board. In accordance with the articles of association of the Company, Mr. Cui had retired and was re-elected at the extraordinary general meeting of the Company held on 18 December 2007 and thereafter is subject to retirement by rotation and re-election at the annual general meeting of the Company.

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 annual general meetings.

Corporate Governance Report

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. Chan Wai Dune. The other members are Mr. Zhou Zhongshu, Mr. Liu Hongru, Mr. Xu Huizhong and Mr. Ting Leung Huel, Stephen.

The remuneration committee is responsible for formulating and making recommendation 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.

During the year ended 31 December 2007, 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 recommendation 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	**Number of meetings attended**
Executive Director	
Mr. Xu Huizhong	2/(2)
Non-executive Director	
Mr. Zhou Zhongshu	1/(2)
Independent Non-executive Directors	
Mr. Liu Hongru	1/(2)
Mr. Chan Wai Dune *(Chairman)*	2/(2)
Mr. Ting Leung Huel, Stephen	2/(2)

Audit Committee

The Company has established an audit committee on 2 July 1999. The audit committee comprises three independent non-executive Directors, namely Mr. Liu Hongru, Mr. Chan Wai Dune and Mr. Ting Leung Huel, Stephen and one non-executive Director, Mr. Zong Qingsheng. Mr. Ting Leung Huel, Stephen is the Chairman of the audit committee.

The 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.

Corporate Governance Report

THE BOARD COMMITTEES *(cont'd)*

Audit Committee *(cont'd)*

During the year ended 31 December 2007, the audit committee held two meetings. The audit committee reviewed with the senior management and auditors 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 auditors of the Company, the connected transactions entered into by the Group and the audit scope and fees for the year ended 31 December 2007.

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	*Note*	**Number of meetings attended**
Non-executive Director		
Mr. Zong Qingsheng	*(i)*	2/(2)
Independent Non-executive Directors		
Mr. Liu Hongru		2/(2)
Mr. Chan Wai Dune		2/(2)
Mr. Ting Leung Huel, Stephen *(Chairman)*		2/(2)

Note:

(i) Due to other business commitment, Mr. Zong Qingsheng has appointed Mr. Xu Huizhong, an executive Director, to act as his alternate to attend one of the meetings held during the year.

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 2007 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 2007, 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 auditors of the Company regarding their responsibilities on the financial statements is set out in the Independent Auditor's Report on pages 47 to 48 of this annual report.

Corporate Governance Report

ACCOUNTABILITY AND AUDIT *(cont'd)*

Internal Controls

The Board is entrusted with overall responsibility for establishing and maintaining the Group's internal control systems and reviewing their 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.

Auditors' Remuneration

An analysis of the remuneration of the Company's auditors, PricewaterhouseCoopers, for the year ended 31 December 2007 is set out as follows:

Services rendered	**Fee paid/payable**
	HK$'000
Audit services	2,366
Non-audit services	
– Services in connection with the Group's capital reduction	500
– Other services (including taxation services)	113
	2,979

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 and procedures for demanding a poll in general meetings are included in the circulars to the shareholders of the Company to facilitate the enforcement of shareholders' rights;

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

4. 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.

Independent Auditor's Report

PRICEWATERHOUSECOOPERS
羅兵咸永道會計師事務所

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

INDEPENDENT AUDITOR'S REPORT
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 49 to 132, which comprise the consolidated and Company balance sheets as at 31 December 2007, and the consolidated income statement, 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 judgement, 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 2007 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, 31 March 2008

Consolidated Income Statement

	Note	Year ended 31 December 2007 HK$'000	2006 HK$'000
Revenue	5	**10,504,622**	12,829,280
Cost of sales		**(9,569,107)**	(11,390,423)
Gross profit		**935,515**	1,438,857
Selling expenses		**(88,167)**	(104,664)
Administrative expenses		**(175,396)**	(153,191)
Reversal of provision for/(Provision for) impairment of alumina purchasing rights	22	**257,622**	(877,613)
Write-back of provision for sales contract obligations		**–**	288,395
Fair value losses on convertible bonds	34	**(182,032)**	–
Other income	6	**90,534**	26,919
Other gains/(losses) – net	6	**164,149**	(83,881)
Operating profit	7	**1,002,225**	534,822
Finance costs – net	8	**(63,909)**	(29,150)
Share of profits less losses of associates		**34,259**	29,870
Profit before income tax		**972,575**	535,542
Income tax (expense)/credit	9	**(110,761)**	343,066
Profit for the year		**861,814**	878,608
Attributable to:			
Equity holders of the Company		**845,658**	865,320
Minority interest		**16,156**	13,288
		861,814	878,608
Dividends	11		
Interim – paid		**10,057**	–
Final – proposed		**51,468**	–
		61,525	–
Earnings per share for profit attributable to equity holders of the Company during the year	12		
– Basic		**HK$0.453**	HK$0.505
– Diluted		**HK$0.451**	HK$0.500

The notes on pages 56 to 132 are an integral part of these consolidated financial statements.

Consolidated Balance Sheet

	Note	As at 31 December 2007 HK$'000	2006 HK$000
ASSETS			
Non-current assets			
Property, plant and equipment	15	**522,688**	538,892
Investment properties	16	**9,820**	9,590
Land use rights	17	**15,252**	16,053
Construction in progress	18	**13,933**	4,576
Interests in associates	21	**87,242**	47,885
Alumina purchasing rights	22	**2,745,755**	2,622,149
Long-term receivables		**32,100**	–
Available-for-sale financial assets	23	**476,084**	450,933
Deferred income tax assets	24	**15,401**	19,915
		3,918,275	3,709,993
Current assets			
Inventories	25	**897,057**	598,579
Trade and bills receivables	26	**1,344,290**	937,890
Prepayments, deposits and other receivables	27	**620,639**	163,406
Amounts due from fellow subsidiaries	41	**2,489**	7,779
Derivative financial instruments	28	**20,146**	818
Pledged bank deposits	29	**41,145**	38,209
Cash and cash equivalents	29	**2,880,370**	2,668,075
		5,806,136	4,414,756
Total assets		**9,724,411**	8,124,749
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	30	**102,936**	85,722
Reserves	31	**6,205,156**	4,139,659
		6,308,092	4,225,381
Minority interest		**251,828**	220,206
Total equity		**6,559,920**	4,445,587

Consolidated Balance Sheet

	Note	As at 31 December 2007 HK$'000	2006 HK$000
LIABILITIES			
Non-current liabilities			
Deferred income	32	**25,064**	25,824
Derivative financial instruments	28	**11,563**	7,968
Deferred income tax liabilities	24	**140,159**	163,572
Bank borrowings	33	**475,799**	–
Convertible bonds	34	**–**	980,137
		652,585	1,177,501
Current liabilities			
Trade and bills payables	36	**828,612**	642,318
Accruals, receipts in advance and other payables		**440,977**	365,387
Advances from banks for bills discounted		**478,260**	295,699
Amounts due to ultimate holding company, an intermediate holding company, fellow subsidiaries and associates	41	**8,679**	1,506
Derivative financial instruments	28	**5,612**	58,853
Income tax liabilities		**30,938**	65,728
Bank borrowings	33	**718,828**	1,072,170
		2,511,906	2,501,661
Total liabilities		**3,164,491**	3,679,162
Total equity and liabilities		**9,724,411**	8,124,749
Net current assets		**3,294,230**	1,913,095
Total assets less current liabilities		**7,212,505**	5,623,088

Xu Huizhong
Executive Director and President

Ren Suotang
Executive Director and Vice President

The notes on pages 56 to 132 are an integral part of these consolidated financial statements.

Balance Sheet

	Note	As at 31 December 2007 HK$'000	2006 HK$000
ASSETS			
Non-current assets			
Property, plant and equipment	*15*	**1,021**	1,269
Investment properties	*16*	**8,480**	8,460
Interests in subsidiaries	*19*	**2,837,263**	2,597,648
		2,846,764	2,607,377
Current assets			
Other receivables		**6,569**	2,220
Loans to subsidiaries	*19*	**1,347,000**	111,899
Cash and cash equivalents	*29*	**613,037**	1,238,385
		1,966,606	1,352,504
Total assets		**4,813,370**	3,959,881
EQUITY			
Capital and reserves			
Share capital	*30*	**102,936**	85,722
Reserves	*31*	**4,651,053**	2,830,363
Total equity		**4,753,989**	2,916,085
LIABILITIES			
Current liabilities			
Other payables		**4,843**	11,342
Amounts due to subsidiaries	*19*	**54,538**	1,032,454
Total liabilities		**59,381**	1,043,796
Total equity and liabilities		**4,813,370**	3,959,881
Net current assets		**1,907,225**	308,708
Total assets less current liabilities		**4,753,989**	2,916,085

Xu Huizhong
Executive Director and President

Ren Suotang
Executive Director and Vice President

The notes on pages 56 to 132 are an integral part of this financial statement.

Consolidated Statement of Changes in Equity

	Attributable to equity holders of the Company													
	Share capital HK$'000	Share premium HK$'000	Capital reserve HK$'000	Special capital reserve HK$'000	General reserve HK$'000	PRC statutory reserves HK$'000	Exchange trans-lation reserve HK$'000	Available-for-sale financial assets reserve HK$'000	Hedging reserve HK$'000	Convertible bonds equity reserve HK$'000	Share options reserve HK$'000	(Accumu-lated losses)/ Retained profits HK$'000	Minority interest HK$'000	Total HK$'000
At 1 January 2007	85,722	3,503,362	48,380	125,374	15,600	160,358	51,025	320,710	818	-	21,662	(107,630)	220,206	4,445,587
Capital reorganisation *(Note 31(d))*	-	(764,428)	-	(125,374)	-	-	-	-	-	-	-	889,802	-	-
Transfer to reserve for the undertaking given by the Company *(Note 31(e))*	-	-	-	69,084	-	-	-	-	-	-	-	(69,084)	-	-
Recognition of convertible bonds without the cash settlement option *(Note 34(b))*	-	-	-	-	-	-	-	-	-	360,478	-	-	-	360,478
Conversion of convertible bonds into ordinary shares	17,094	1,192,055	-	-	-	-	-	-	-	(360,478)	-	-	-	848,671
Currency translation differences	-	-	-	-	-	-	23,862	-	-	-	-	-	16,160	40,022
Cash flow hedge	-	-	-	-	-	-	-	-	(17,993)	-	-	-	-	(17,993)
Recognition of equity-settled share based payment *(Note 38)*	-	-	-	-	-	-	-	-	-	-	401	-	-	401
Exercise of share options	120	8,673	-	-	-	-	-	-	-	-	(2,253)	-	-	6,540
Fair value gain *(Note 23)*	-	-	-	-	-	-	-	25,151	-	-	-	-	-	25,151
Profit for the year	-	-	-	-	-	-	-	-	-	-	-	845,658	16,156	861,814
Dividends paid	-	-	-	-	-	-	-	-	-	-	-	(10,057)	(694)	(10,751)
Transfer to PRC statutory reserves	-	-	-	-	-	61,666	-	-	-	-	-	(61,666)	-	-
At 31 December 2007	102,936	3,939,662	48,380	69,084	15,600	222,024	74,887	345,861	(17,175)	-	19,810	1,487,023	251,828	6,559,920

Consolidated Statement of Changes in Equity

	Attributable to equity holders of the Company												
	Share capital	Share premium	Capital reserve	Special capital reserve	General reserve	PRC statutory reserves	Exchange translation reserve	Available-for-sale financial assets reserve	Hedging reserve	Share options reserve	Accumulated losses	Minority interest	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2006	85,722	3,503,362	48,380	125,374	15,600	72,600	5,349	109,828	–	–	(885,192)	203,019	3,284,042
Acquisition of interests in a subsidiary	–	–	–	–	–	–	–	–	–	–	–	(749)	(749)
Currency translation differences	–	–	–	–	–	–	45,676	–	–	–	–	8,442	54,118
Available-for-sale financial assets													
– Disposals	–	–	–	–	–	–	–	(39,663)	–	–	–	–	(39,663)
– Fair value gain *(Note 23)*	–	–	–	–	–	–	–	250,545	–	–	–	–	250,545
Cash flow hedges	–	–	–	–	–	–	–	–	818	–	–	–	818
Recognition of equity-settled share based payment *(Note 38)*	–	–	–	–	–	–	–	–	–	21,662	–	–	21,662
Profit for the year	–	–	–	–	–	–	–	–	–	–	865,320	13,288	878,608
Dividends paid	–	–	–	–	–	–	–	–	–	–	–	(3,794)	(3,794)
Transfer to PRC statutory reserves	–	–	–	–	–	87,758	–	–	–	–	(87,758)	–	–
At 31 December 2006	85,722	3,503,362	48,380	125,374	15,600	160,358	51,025	320,710	818	21,662	(107,630)	220,206	4,445,587

The notes on pages 56 to 132 are an integral part of these consolidated financial statements.

Consolidated Cash Flow Statement

	Note	Year ended 31 December 2007 HK$'000	2006 HK$000
Cash flows from operating activities			
Net cash generated from operations	39	**319,849**	971,003
Interest paid		**(103,493)**	(92,619)
Income tax paid		**(162,929)**	(181,329)
Net cash generated from operating activities		**53,427**	697,055
Cash flows from investing activities			
Acquisition of a jointly controlled entity, net of cash acquired		**–**	33,901
Acquisition of additional interests in a subsidiary		**–**	(318)
Acquisition of additional interests in an associate		**–**	(41)
Additions to construction in progress		**(15,474)**	(25,950)
Purchase of property, plant and equipment and land use rights		**(8,825)**	(3,708)
Proceeds from disposal of property, plant and equipment and investment properties	39	**5,363**	5,345
Proceeds from disposal of an associate		**1,360**	–
Proceeds from disposal of available-for-sale financial assets		**–**	146,577
Dividends received from associates		**41**	7,804
Interest received		**85,751**	44,045
(Increase)/Decrease in pledged bank deposits		**(2,866)**	11,516
Net cash generated from investing activities		**65,350**	219,171
Cash flows from financing activities			
Proceeds from issuance of convertible bonds		**–**	976,103
Proceeds from issuance of shares		**6,540**	–
Net proceeds from new bank borrowings/ (repayments of bank borrowings)		**81,098**	(200,167)
Dividends paid to the Company's shareholders		**(10,057)**	–
Dividends paid to minority shareholders		**(694)**	(3,794)
Net cash generated from financing activities		**76,887**	772,142
Net increase in cash and cash equivalents		**195,664**	1,688,368
Cash and cash equivalents at 1 January		**2,668,075**	938,086
Exchange gains on cash and bank balances		**16,631**	41,621
Cash and cash equivalents at 31 December		**2,880,370**	2,668,075

The notes on pages 56 to 132 are an integral part of these consolidated financial statements.

Notes to the 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 9/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 Stock Exchange of Hong Kong Limited. Its subsidiaries, associates and jointly controlled entities are principally engaged in the trading of non-ferrous metals and the manufacturing and distribution of aluminium and copper products.

These consolidated financial statements are presented in thousands of units of Hong Kong dollars (HK$'000), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 31 March 2008.

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, available-for-sale financial assets, financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss and investment properties.

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 Company'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.

The Group has adopted, for the first time, the following new Standards, amendments to existing Standards and interpretations issued by the Hong Kong Institute of Certified Public Accountants, which are effective for the Group's financial year beginning on 1 January 2007. The adoption of these new Standards, amendments to existing Standards and interpretations had no material effect on the results and financial position for the current or prior periods. Accordingly, no prior period adjustment is required.

Notes to the Financial Statements

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

2.1 Basis of preparation *(cont'd)*

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

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

HKAS 1 (Revised)	Presentation of Financial Statements[1]
HKAS 23 (Revised)	Borrowing Costs[1]
HKFRS 8	Operating Segments[1]
HK(IFRIC)-Int 11	HKFRS 2 – Group and Treasury Share Transactions[2]
HK(IFRIC)-Int 12	Service Concession Arrangements[3]
HK(IFRIC)-Int 13	Customer Loyalty Programmes[4]
HK(IFRIC)-Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction[3]

1 Effective for annual periods beginning on or after 1 January 2009
2 Effective for annual periods beginning on or after 1 March 2007
3 Effective for annual periods beginning on or after 1 January 2008
4 Effective for annual periods beginning on or after 1 July 2008

Notes to the 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 income statement.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary 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.

Notes to the Financial Statements

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

2.2 Consolidation *(cont'd)*

(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.

(c) *Jointly controlled entities*

The Group's interests in jointly controlled entities are accounted for by proportionate consolidation. The Group combines its share of the joint ventures' individual income and expenses, assets and liabilities and cash flows on a line-by-line basis with similar items in the Group's financial statements. The Group recognises the portion of gains or losses on the sale of assets by the Group to the joint venture that it is attributable to the other venturers. The Group does not recognise its share of profits or losses from the joint venture that result from the Group's purchase of assets from the joint venture until it resells the assets to an independent party. However, a loss on the transaction is recognised immediately if the loss provides evidence of a reduction in the net realisable value of current assets, or an impairment loss.

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

Notes to the Financial Statements

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

2.2 Consolidation *(cont'd)*

(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. The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition.

The Group's share of its associates' post-acquisition profits or losses is recognised in the 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, 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

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

Notes to the Financial Statements

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

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 US dollars while the consolidated financial statements are presented in HK dollars.

(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 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 are reported as part of the fair value gain or loss. 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.

Notes to the Financial Statements

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

2.4 Foreign currency translation *(cont'd)*

(c) *Group companies*

The results and financial position of all the group 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 on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

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

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 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 their 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 land and 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.

Notes to the Financial Statements

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

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

Other property, plant and equipment are stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

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 income statement during the financial period in which they are incurred.

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	5 years or over the unexpired period of the leases, whichever is shorter
–	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 income statement.

Notes to the Financial Statements

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

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 the companies in the consolidated group, is classified as investment property.

Investment property comprises land held under operating leases and buildings held under finance leases. 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 this 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 valuer.

The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions. Changes in fair values are recognised in the income statement.

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 subsidiary or associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates is included in investments in associates and is tested annually for impairment as part of the overall balance. Separately recognised goodwill is tested annually 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 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 certain alumina suppliers over certain periods of time pursuant to the legal binding agreements entered into between certain alumina suppliers and the Group. Alumina purchasing rights are stated at cost less accumulated amortisation and any impairment losses. Alumina purchasing rights are amortised over the unexpired periods of the agreements or in accordance with the quantities of alumina delivered.

Notes to the Financial Statements

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

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

Assets that have an indefinite useful life or have not yet available for use 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.

2.10 Financial assets

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, and available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines 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, unless their maturities are greater than 12 months after the balance sheet date, 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 balance sheet date.

Notes to the Financial Statements

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

2.10 Financial assets *(cont'd)*

Regular purchases and sales of investments 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 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 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 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 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. The translation differences on monetary securities are recognised in the income statement; translation differences on non-monetary securities are recognised in equity. Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognised in equity.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the 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 income statement. Dividends on available-for-sale equity instruments are recognised in the income statement when the Group's right to receive payments is established.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

Notes to the Financial Statements

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

2.10 Financial assets *(cont'd)*

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the income statement) is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

2.11 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 liabilities (fair value hedge);

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

(3) hedges of a net investment in 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 transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

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 if the remaining maturity of the hedge item is more than 12 months. Trading derivatives are classified as a current asset or liability.

Notes to the Financial Statements

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

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

(a) *Fair value hedge*

Changes in the fair value of derivatives that are designated and qualified as fair value hedges are recognised in the 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 income statement within finance costs. The gain or loss relating to the ineffective portion is recognised in the 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 income statement.

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 income statement.

Amounts accumulated in equity are recycled in the 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 income statement within finance costs. The gain or loss relating to the effective portion of forward foreign exchange contracts hedging export sales is recognised in the income statement. 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.

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 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 income statement.

Notes to the Financial Statements

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

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

(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 income statement.

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

(d) Derivatives which 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 that do not qualify for hedge accounting are recognised immediately in the income statement.

2.12 Financial guarantee contracts

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".

2.13 Inventories

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

Cost of commodities held for sales, 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 all 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.

Notes to the Financial Statements

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

2.14 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. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The amount of the provision is recognised in the income statement.

2.15 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.

2.16 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.

2.17 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 income statement on a straight-line basis over the expected lives of the related assets.

2.18 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 more likely than not 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.

Notes to the Financial Statements

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

2.18 Provisions and contingent liabilities *(cont'd)*

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.

2.19 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 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.

2.20 Convertible bonds

Convertible bonds issued by the Group that contain both the liability and conversion option components are classified separately into respective items on initial recognition.

(a) Convertible bonds classified into liability and equity

Conversion options that are settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is an equity instrument, the conversion options are classified as equity.

On initial recognition, the fair value of the liability component is determined using the prevailing market interest rate of similar non-convertible debts. The difference between the gross proceeds of the issue of the convertible bonds and the fair value assigned to the liability component, representing the conversion option for the holder to convert the bonds into equity, is included in equity (convertible bonds equity reserve).

In subsequent periods, the liability component of the convertible bonds is carried at amortised cost using the effective interest method. The equity component, representing the option to convert the liability component into ordinary shares of the Company, will remain in convertible bonds equity reserve until the conversion option is exercised (in which case the balance stated in convertible bonds equity reserve will be transferred to share premium). Where the option remains unexercised at the expiry date, the balance stated in convertible bonds equity reserve will be released to retained profits. No gain or loss is recognised in profit or loss upon conversion or expiration of the option.

Notes to the Financial Statements

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

2.20 Convertible bonds *(cont'd)*

(b) *Convertible bonds classified into liability and financial instruments carried at fair value through profit or loss*

Conversion options that are not settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of equity instruments are recognised as financial instruments carried at fair value through profit or loss.

On initial recognition, the fair value of the conversion option component is determined using an option-pricing model; and this amount is carried as a derivative liability until extinguished on conversion or redemption. The remainder of the proceeds is allocated to the liability component and is carried as a liability on the amortised cost basis until extinguished on conversion or redemption. In subsequent periods, the derivative component is measured at fair value with gains and losses recognised in the income statement until extinguished on conversion or redemption.

2.21 Current and deferred income tax

The current income tax charge is calculated on the basis of the tax laws enacted at the balance sheet date in the countries where the Company's subsidiaries, associates and jointly controlled entities 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 and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, 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 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 substantially 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 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, associates and jointly controlled entities, 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.

Notes to the Financial Statements

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

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.

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. Revenue is recognised as follows:

(a) Sales of goods

Revenue from the sale of goods is recognised on the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and title has passed.

(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.

2.24 Employee benefits

(a) Employee leave entitlements

Employee entitlements to annual leave and long-service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long-service 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.

Notes to the Financial Statements

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

2.24 Employee benefits *(cont'd)*

(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 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 plan and housing funds. The relevant group companies pay monthly contributions to these funds based on certain percentages of the 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 employees and by the relevant group companies.

(c) *Share-based compensation*

The Group operates an equity-settled, share-based compensation plan. 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 vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At each balance sheet date, the Group revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision of original estimates, if any, in the 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.

Notes to the Financial Statements

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

2.25 Leases (as the lessee for operating 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) are charged to the 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 financial statements in the period in which the dividends are approved by the Company's shareholders.

2.27 Comparatives

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

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks, including foreign exchange risk, interest rate risk, commodity price 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 derivative financial instruments is governed by the Group's policies and yearly plans approved by the Board of Directors. The Group does not and is prohibited to enter into derivative contracts for speculative purposes.

Risk management is carried out by the core management team of the Group under policies approved by the Board of Directors. Overseas subsidiaries, associates and jointly controlled entities conduct their risk management activities in accordance with the policies approved by their respective boards. 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. The Group has written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments (annual plan) and cash management.

(a) *Price risk*

(i) Commodity price risk

The principal operations of the Group are trading of non-ferrous metals and the manufacturing and distribution of aluminium and copper products. As non-ferrous metals markets are influenced by global as well as regional supply and demand conditions, any unexpected price changes could affect the Group's earnings and performance. To protect the Group's trading and fabrication businesses from the impact of aluminium and copper price fluctuations, the Group closely monitors any significant exposures and may enter into commodity derivative contracts to mitigate the risk. Further details of these commodity derivative contracts are set out in Note 28.

Notes to the Financial Statements

3 FINANCIAL RISK MANAGEMENT *(cont'd)*

3.1 Financial risk factors *(cont'd)*

(a) Price risk (cont'd)

(i) Commodity price risk *(cont'd)*

The table below summaries the impact of the increases or decreases of aluminium forward contract prices and copper futures contract prices on the Group's post-tax profit for the year. The analysis is based on the assumption that the aluminium forward contract prices and copper futures contract prices had increased or decreased by 5% at the year end dates with all other variables held constant.

	Increase/(decrease) of post-tax profit	
	2007	2006
	HK$'000	*HK$'000*
If aluminium forward contract prices increased by 5%	**(11,306)**	(28,363)
If copper futures contract prices increased by 5%	**6,891**	5,454
If aluminium forward contract prices decreased by 5%	**11,306**	28,363
If copper futures contract prices decreased by 5%	**(6,891)**	(5,454)

(ii) Equity price risk

The Group is exposed to equity security price risk in relation to certain listed equity securities it held. Details of which are set out in Note 23. The management continues to monitor the quoted price of these listed securities.

At 31 December 2007, if the bid price of these listed securities had increased or decreased by 10% (2006: 10%) with all other variables held constant, post-tax profit for the year would remain unchanged (2006: remain unchanged) and equity holders' equity would increase or decrease by HK$47,609,000 (2006: HK$45,094,000).

Notes to the 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 the cash and cash equivalents, details of which have been disclosed in Note 29.

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 bank borrowings are set out in Note 33.

The Group's policy is to manage its interest rate risk to ensure there are no undue exposures to significant interest rate movements and rates are approximately fixed. As such, the Group has entered into 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 up to June 2010. Details of the interest rate swaps are disclosed in Note 28.

At 31 December 2007, if the interest rate had increased or decreased by 50 basis points (2006: 50 basis points) with all other variables held constant, post-tax profit for the year (as a result of change in interest expense on floating rate borrowings) would have no material changes (2006: no material changes) and equity (as a result of change in fair value of cash flow hedges of borrowings) would have been approximately HK$5,777,000 (2006: HK$1,355,000) higher or 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 exposure for the transactions conducted in HKD or USD. However, exchange rate fluctuation between RMB or AUD and HKD could affect the Group's performance and asset value. The Group had no outstanding foreign exchange forward contracts at 31 December 2007.

At 31 December 2007, if RMB had strengthened or weakened by 5% (2006: 5%) against HKD or USD and with all other variables held constant, post-tax profit for the year would have been approximately HK$56,132,000 (2006: HK$23,609,000) higher or lower and equity would have been approximately HK$96,578,000 (2006: HK$56,851,000) higher or lower.

Notes to the Financial Statements

3 FINANCIAL RISK MANAGEMENT *(cont'd)*

3.1 Financial risk factors *(cont'd)*

(d) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. This arises primarily from: (i) trade and bills receivables, (ii) long-term receivables, prepayments, deposits and other receivables; and (iii) derivative financial instruments and bank deposits. The Group's maximum exposure to this risk equal to the carrying amounts of these financial assets as shown in the consolidated balance sheet.

(i) Trade and bills receivables

For the Group's trading business, customers are normally required to pay advances before the delivery of goods and no credit term is granted. For the aluminium and copper fabrication businesses, the relevant operating entities have control procedures in place to evaluate customers' credit standing on an ongoing basis. Slow-moving debts are reviewed regularly and 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 81% (2006: 71%) of the Group's trade and bills receivables, as at 31 December 2007. The largest trade receivable accounted for 3% (2006: 6%) and the five largest trade receivables in aggregate accounted for 9% (2006: 14%) of the Group's trade and bills receivables at 31 December 2007.

(ii) Long-term receivables, prepayments, deposits and other receivables

To protect the Group against the credit risk arising from default of the counterparties, the Group may require collateral if necessary. At 31 December 2007, a prepayment of HK$167,704,000 (2006: Nil) made to a supplier for the purchases of aluminium ingots was secured by the equity interest of the supplier.

(iii) Derivative financial instruments and bank deposits

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

Notes to the Financial Statements

3 FINANCIAL RISK MANAGEMENT *(cont'd)*

3.1 Financial risk factors *(cont'd)*

(e) Liquidity risk

The Group's policy is to maintain sufficient cash and cash equivalents or have available funding through adequate amount of committed credit facilities to meet its working capital requirements.

The table below analyses the remaining contractual maturities at the balance sheet date of the Group's non-derivative financial liabilities and derivative financial liabilities (net settled), which are based on contractual undiscounted cash flows:

	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 2007					
Non-derivative financial liabilities					
Trade and bills payables	**828,612**	**–**	**–**	**–**	**828,612**
Accruals, receipts in advance and other payables	**440,977**	**–**	**–**	**–**	**440,977**
Advances from banks for bills discounted	**478,260**	**–**	**–**	**–**	**478,260**
Amounts due to related parties	**8,679**	**–**	**–**	**–**	**8,679**
Bank borrowings	**751,428**	**61,481**	**184,315**	**325,971**	**1,323,195**
	2,507,956	**61,481**	**184,315**	**325,971**	**3,079,723**
Derivative financial liabilities					
Net settled derivative financial instruments	**5,837**	**9,711**	**3,043**	**–**	**18,591**
At 31 December 2006					
Non-derivative financial liabilities					
Trade and bills payables	642,318	–	–	–	642,318
Accruals, receipts in advance and other payables	365,387	–	–	–	365,387
Advances from banks for bills discounted	295,699	–	–	–	295,699
Amounts due to related parties	1,506	–	–	–	1,506
Bank borrowings	1,104,050	–	–	–	1,104,050
Convertible bonds	–	–	1,272,360	–	1,272,360
	2,408,960	–	1,272,360	–	3,681,320
Derivative financial liabilities					
Net settled derivative financial instruments	58,853	8,096	–	–	66,949

Notes to the Financial Statements

3 FINANCIAL RISK MANAGEMENT *(cont'd)*

3.2 Fair value estimation

The fair value of publicly traded securities is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price. The fair value of derivative financial instruments that are not traded in an active market is determined by using appropriate valuation techniques and making assumptions that are based on market conditions existing at each balance sheet date. Discounted cash flow method is used to determine fair value of long-term borrowings.

The fair value of foreign exchange forward contracts is calculated by reference to current forward foreign exchange rates for contracts with similar maturity profiles. The fair value of interest rate swaps is determined by reference to market value of similar instruments. While the fair value of aluminium forward contracts is calculated by reference to current forward aluminium prices for contracts with similar maturity profiles.

Except as disclosed in the following table, the carrying amounts of the Group's financial assets and financial liabilities approximate their fair values.

	Carrying amount		**Fair value**	
	2007	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Non-current liabilities				
Bank borrowings	**475,799**	–	**457,750**	–
Convertible bonds	**–**	980,137	**–**	966,658

Notes to the Financial Statements

3 FINANCIAL RISK MANAGEMENT *(cont'd)*

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, maintain a healthy gearing ratio to support business development and enhance shareholders' value.

The Group manages the capital structure and make 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 and repay debts.

The Group monitors capital by using gearing ratio. As the Group was in net cash position at 31 December 2007 and 2006, gearing ratio (defined as total borrowings less cash and bank deposits divided by shareholders' equity) was not applicable.

	2007	2006
	HK$'000	*HK$'000*
Cash and cash equivalents	**2,880,370**	2,668,075
Pledged bank deposits	**41,145**	38,209
Less: Total debt *(Note)*	**(1,672,887)**	(2,348,006)
Net cash	**1,248,628**	358,278
Total equity	**6,559,920**	4,445,587

Note: Total debt includes bank borrowings, advances from banks for bills discounted and convertible bonds.

Notes to the 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 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 charge where useful lives are less than previously estimated lives, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

(b) Estimated provision for impairment of alumina purchasing rights

Discounted cash flow techniques are used to estimate the value of alumina purchasing rights. Forecasted projections used in the discounted cash flow models are subject to numerous assumptions, risks and uncertainties which include, but are not limited to, 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) 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 period in which such estimate is changed.

(d) 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 period in which such determination is made.

Notes to the Financial Statements

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

(e) 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.

5 SEGMENT INFORMATION

The Group is principally engaged in the trading of alumina and other non-ferrous metals, production and sales of aluminium foils and extrusions and copper products, and the provision of port logistics services. Revenue recognised during the year are as follows:

	2007 ***HK$'000***	2006 *HK$'000*
Revenue		
Sales of goods, net of value-added tax, returns and discounts	**10,503,580**	12,827,977
Servicing income	**1,042**	1,303
	10,504,622	12,829,280

(a) Primary reporting format – Business segments

At 31 December 2007, the Group's operations comprised the following main business segments:

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

Notes to the Financial Statements

5 SEGMENT INFORMATION *(cont'd)*

(a) Primary reporting format – Business segments *(cont'd)*

Segment assets consist primarily of property, plant and equipment, land use rights, construction in progress, alumina purchasing rights, inventories, trade and bills receivables, prepayments, deposits and other receivables, and cash and cash equivalents. Unallocated assets comprise available-for-sale financial assets and deferred income tax assets.

Segment liabilities comprise operating liabilities. Unallocated liabilities comprise income tax liabilities and deferred income tax liabilities.

Capital expenditure comprises additions to property, plant and equipment, land use rights and construction in progress.

	Trading		Aluminium fabrication		Copper fabrication and plica tubes production		Port logistics services and other industrial operations		Corporate and others		Inter-segment elimination		Total	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
External revenue	**5,373,038**	9,078,017	**1,936,377**	1,516,553	**3,194,165**	2,233,407	**1,042**	1,303	**-**	-	**-**	-	**10,504,622**	12,829,280
Inter-segment revenue	**423,678**	208,405	**1,291**	3,148	**-**	-	**4,135**	5,176	**-**	-	**(429,104)**	(216,729)	**-**	-
Revenue	**5,796,716**	9,286,422	**1,937,668**	1,519,701	**3,194,165**	2,233,407	**5,177**	6,479	**-**	-	**(429,104)**	(216,729)	**10,504,622**	12,829,280
Results														
Segment results	**1,065,984**	489,073	**58,840**	51,325	**69,009**	28,952	**(2,729)**	3,494	**(6,847)**	(38,015)	**-**	(7)	**1,184,257**	534,822
Fair value losses on convertible bonds													**(182,032)**	-
Finance costs-net													**(63,909)**	(29,150)
Share of profits less losses of associates													**34,259**	29,870
Income tax (expense)/credit													**(110,761)**	343,066
Profit for the year													**861,814**	878,608
Minority interest													**(16,156)**	(13,288)
Profit attributable to equity holders of the Company													**845,658**	865,320

Notes to the Financial Statements

5 SEGMENT INFORMATION *(cont'd)*

(a) Primary reporting format – Business segments *(cont'd)*

	Trading		Aluminium fabrication		Copper fabrication and plica tubes production		Port logistics services and other industrial operations		Corporate and others		Total	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment assets	**5,539,885**	4,318,772	**1,535, 343**	1,306,389	**1,170,544**	716,671	**12,804**	12,635	**887,108**	1,251,549	**9,145,684**	7,606,016
Interests in associates											**87,242**	47,885
Available-for-sale financial assets											**476,084**	450,933
Deferred income tax assets											**15,401**	19,915
Total assets											**9,724,411**	8,124,749
Segment liabilities	**1,073,087**	1,074,397	**893,990**	778,884	**1,021,394**	596,490	**2,810**	4,929	**2,113**	995,162	**2,993,394**	3,449,862
Income tax liabilities											**30,938**	65,728
Deferred income tax liabilities											**140,159**	163,572
Total liabilities											**3,164,491**	3,679,162
Capital expenditure	**423**	1,217	**22,515**	27,135	**954**	725	**-**	93	**407**	488	**24,299**	29,658
Depreciation of property, plant and equipment	**387**	345	**60,267**	53,747	**4,710**	3,615	**-**	63	**654**	678	**66,018**	58,448
Amortisation												
– Land use rights	**10**	–	**1,669**	1,503	**307**	207	**-**	6	**-**	–	**1,986**	1,716
– Alumina purchasing rights	**134,016**	394,699	**-**	–	**-**	–	**-**	–	**-**	–	**134,016**	394,699
Other major non-cash expenses/(income)												
– (Reversal of provision for)/Provision for impairment of alumina purchasing rights	**(257,622)**	877,613	**-**	–	**-**	–	**-**	–	**-**	–	**(257,622)**	877,613
– Provision for/(Reversal of provision for) inventory impairment	**-**	75,088	**(5,284)**	54	**-**	(23)	**-**	–	**-**	–	**(5,284)**	75,119
– Write-back of provision for sales contract obligations	**-**	(288,395)	**-**	–	**-**	–	**-**	–	**-**	–	**-**	(288,395)
– Realisation of provision for sales contract obligations	**-**	(770,263)	**-**	–	**-**	–	**-**	–	**-**	–	**-**	(770,263)

Notes to the Financial Statements

5 SEGMENT INFORMATION *(cont'd)*

(b) Secondary reporting format – Geographical segments

The Group's activities are conducted predominately in Mainland China, Australia and Hong Kong.

	Mainland China		Australia		Hong Kong		Others		Inter-segment elimination		Total	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Revenue	**9,986,888**	12,541,206	**8,201**	11,969	**4,368**	10,546	**934,269**	1,475,778	**(429,104)**	(1,210,219)	**10,504,622**	12,829,280
Contribution to gross profit	**944,079**	1,350,043	**859**	872	**225**	615	**(5,514)**	97,408	**(4,134)**	(10,081)	**935,515**	1,438,857
Capital expenditure	**23,777**	27,996	**114**	1,174	**408**	488	**-**	–	**-**	–	**24,299**	29,658
Segment assets	**4,832,194**	3,150,814	**3,384,914**	2,773,746	**879,383**	1,492,495	**49,193**	188,961	**-**	–	**9,145,684**	7,606,016

Notes to the Financial Statements

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

(a) Other income

	2007 HK$'000	2006 HK$'000
Government grant and tax refund on reinvestment in a PRC subsidiary	**70,945**	873
Sales of by-products and other services income	**6,702**	5,250
Reversal of provision for impairment of receivables	**4,767**	10,115
– Trade receivables	**3,640**	6,223
– Amounts due from associates	**1,127**	3,892
Amortisation of deferred income *(Note 32)*	**2,450**	2,315
Reversal of provision for property tax and surcharges	**2,037**	–
Rental income from investment properties	**268**	268
Compensation received from customer for cancellation of contract	**–**	5,943
Reversal of provision for impairment of construction in progress	**–**	209
Others	**3,365**	1,946
	90,534	26,919

(b) Other gains/(losses) – net

	2007 HK$'000	2006 HK$'000
Exchange gains – net	**124,680**	11,425
Net gain/(loss) on derivative financial instruments	**35,528**	(135,530)
– Aluminium forward contracts	**31,003**	(153,568)
– Aluminium options	**–**	10,613
– Copper futures contracts	**848**	4,840
– Foreign exchange forward contracts	**3,677**	2,585
Fair value gain on investment properties	**2,430**	60
Gain on disposal of an associate	**1,360**	–
Gain on disposal of property, plant and equipment	**51**	146
Gain on disposal of available-for-sale financial assets	**–**	31,956
Gain/(Loss) on disposal of investment properties	**100**	(456)
Negative goodwill recognised	**–**	8,518
	164,149	(83,881)

Notes to the Financial Statements

7 OPERATING PROFIT

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

	2007 HK$'000	2006 HK$'000
Auditor's remuneration	**2,366**	2,382
Depreciation	**66,018**	58,448
Amortisation		
– Land use rights	**1,986**	1,716
– Alumina purchasing rights	**134,016**	394,699
(Reversal of provision for)/Provision for inventory impairment	**(5,284)**	75,119
Realisation of provision for sales contract obligations	**–**	(770,263)
Employee benefit expenses (including directors' emoluments)	**105,522**	109,322
Operating lease rental on properties	**4,020**	4,123

8 FINANCE COSTS – NET

	2007 HK$'000	2006 HK$'000
Finance costs		
– Interest on bank borrowings wholly repayable within five years	**(90,316)**	(92,619)
– Interest on convertible bonds wholly repayable within five years	**(46,980)**	(4,034)
– Fair value (loss)/gain on interest rate swaps	**(10,793)**	22,961
	(148,089)	(73,692)
Finance income		
– Interest income on short-term bank deposits	**84,180**	44,542
Finance costs – net	**(63,909)**	(29,150)

Notes to the Financial Statements

9 INCOME TAX (EXPENSE)/CREDIT

No provision for Hong Kong profits tax has been made as the Group has no estimated assessable profit generated in Hong Kong for the year (2006: 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.

	2007	2006
	HK$'000	*HK$'000*
Current income tax		
Hong Kong profits tax	**–**	512
PRC enterprise income tax	**(126,248)**	(177,212)
Overseas income tax	**(1,619)**	(3,961)
	(127,867)	(180,661)
Deferred income tax credit *(Note 24)*	**17,106**	523,727
Income tax (expense)/credit	**(110,761)**	343,066

The taxation 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:

	2007	2006
	HK$'000	*HK$'000*
Profit before income tax	**972,575**	535,542
Calculated at a taxation rate of 33% (2006: 33%)	**(320,950)**	(176,729)
Effect of changes in taxation rate from 33% to 25%	**37,045**	–
Effect of different taxation rates in other countries	**11,275**	7,536
Effect of tax exemption	**3,316**	687
Income not subject to taxation	**122,928**	114,552
Effect of changes in value of alumina purchase rights	**86,298**	449,404
Expenses not deductible for taxation purposes	**(50,944)**	(49,778)
Utilisation of unrecognised tax losses	**–**	466
Unrecognised tax losses	**–**	(4,235)
Overprovision in prior years	**271**	1,163
Income tax (expense)/credit	**(110,761)**	343,066

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 will be unified at 25% effective from 1 January 2008.

Notes to the Financial Statements

10 PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The profit attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of HK$631,871,000 (2006: HK$29,169,000).

11 DIVIDENDS

	2007	2006
	HK$'000	*HK$'000*
Interim dividend paid of 0.5 HK cent (2006: Nil) per ordinary share	**10,057**	–
Proposed final dividend of 2.5 HK cents (2006: Nil) per ordinary share	**51,468**	–
	61,525	–

A final dividend of 2.5 HK cents (2006: Nil) per ordinary share has been proposed by the Directors and is subject to the shareholders' approval at the forthcoming annual general meeting. Based on the number of ordinary shares in issue on 31 December 2007, the amount of 2007 proposed final dividend is approximately HK$51,468,000. These financial statements do not reflect this dividend payable.

12 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$845,658,000 (2006: HK$865,320,000) and the weighted average number of 1,865,763,775 ordinary shares (2006: 1,714,440,521 ordinary shares) in issue during the year.

(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 year after adjusting for the dilutive potential ordinary shares in respect of the share options not yet exercised as well as any convertible bonds in issue. The effect of the assumed conversion of convertible bonds in issue for the year ended 31 December 2007 is anti-dilutive.

Notes to the Financial Statements

12 EARNINGS PER SHARE *(cont'd)*

(b) Diluted *(cont'd)*

	2007	2006
	HK$'000	*HK$'000*
Profit attributable to equity holders of the Company	**845,658**	865,320
Add: Interest expense on convertible bonds	**–**	4,034
Profit used to determine diluted earnings per share	**845,658**	869,354
	Number of shares	Number of shares
Weighted average number of ordinary shares in issue	**1,865,763,775**	1,714,440,521
Add: Dilutive potential ordinary shares in respect of		
– Share options	**7,919,253**	–
– Convertible bonds	**–**	23,416,462
Adjusted weighted average number of ordinary shares in issue	**1,873,683,028**	1,737,856,983
Diluted earnings per share	**HK$0.451**	HK$0.500

13 EMPLOYEE BENEFIT EXPENSES, INCLUDING DIRECTORS' EMOLUMENTS

	2007	2006
	HK$'000	*HK$'000*
Salaries and other benefits	**91,047**	75,385
Share-based payments in relation to the share options granted to directors and employees	**401**	21,662
Retirement scheme contributions *(see Note 37)*	**13,097**	10,817
Social security costs	**977**	1,458
	105,522	109,322

Notes to the Financial Statements

14 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

The remuneration of every director for the year ended 31 December 2007 is set out below:

Name of Director	**Fees** *HK$'000*	**Salary** *HK$'000*	**Other benefits** *HK$'000*	**Dis-cretionary bonuses** *HK$'000*	**Total** *HK$'000*
Mr. ZHOU Zhongshu	**–**	**–**		**–**	**–**
Mr. XU Huizhong	**–**	**1,920**	**435**	**560**	**2,915**
Mr. WANG Lixin *(a)*	**–**	**1,440**	**310**	**390**	**2,140**
Mr. REN Suotang	**–**	**1,200**	**337**	**330**	**1,867**
Ms. SHEN Ling	**100**	**–**	**–**	**30**	**130**
Mr. ZHANG Shoulian *(b)*	**100**	**–**	**–**	**30**	**130**
Mr. LI Linhu *(c)*	**42**	**–**	**–**	**–**	**42**
Mr. ZONG Qingsheng	**100**	**–**	**–**	**30**	**130**
Mr. CUI Hushan *(d)*	**58**	**–**	**–**	**–**	**58**
Mr. LIU Hongru	**200**	**–**	**–**	**–**	**200**
Mr. CHAN Wai Dune	**220**	**–**	**–**	**–**	**220**
Mr. TING Leung Huel, Stephen	**200**	**–**	**–**	**–**	**200**
	1,020	**4,560**	**1,082**	**1,370**	**8,032**

The remuneration of every director for the year ended 31 December 2006 is set out below:

Name of Director	Fees *HK$'000*	Salary *HK$'000*	Other benefits *HK$'000*	Dis-cretionary bonuses *HK$'000*	Total *HK$'000*
Mr. ZHOU Zhongshu	–	–	–	–	–
Dr. ZHU Guang *(e)*	49	–	–	–	49
Mr. XU Huizhong	–	2,080	399	470	2,949
Mr. WANG Lixin	–	1,560	332	807	2,699
Mr. REN Suotang *(f)*	–	329	88	–	417
Ms. SHEN Ling	100	–	–	–	100
Mr. ZHANG Shoulian	100	–	–	–	100
Mr. LI Linhu	100	–	–	–	100
Mr. ZONG Qingsheng	100	–	–	–	100
Mr. LIU Hongru	200	–	–	–	200
Mr. CHAN Wai Dune	210	–	–	–	210
Mr. TING Leung Huel, Stephen	200	–	–	–	200
	1,059	3,969	819	1,277	7,124

Note:

(a) Re-designated from an executive director to a non-executive director on 1 January 2008.
(b) Resigned on 1 January 2008.
(c) Resigned on 1 June 2007.
(d) Appointed on 1 June 2007.
(e) Resigned on 15 May 2006.
(f) Appointed on 18 September 2006.
(g) Other benefits include housing allowances and leave pay.

Notes to the Financial Statements

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

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

During the year ended 31 December 2006, 13,600,000 share options were granted to the Directors of the Company in respect of their services provided to the Group. Details of which are shown in Note 38 (b) to these financial statements. Share-based payments in relation to these share options granted have not been included in the directors' remuneration for the years ended 31 December 2007 and 2006 shown above.

(b) Five highest-paid individuals

The five individuals whose emoluments were the highest in the Group for the year include three (2006: two) executive directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining two (2006: three) individuals during the year are as follows:

	2007 *HK$'000*	2006 *HK$'000*
Basic salaries and other benefits in kind	**2,886**	3,270
Housing allowances	**307**	406
Bonuses	**–**	1,148
	3,193	4,824

The emoluments fell within the following bands:

	Number of individuals	
	2007	2006
HK$1,000,001 – HK$1,500,000	**1**	2
HK$2,000,001 – HK$2,500,000	**1**	1
	2	3

During the year, no director wavied 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 Financial Statements

15 PROPERTY, PLANT AND EQUIPMENT

(a) The Group

	Buildings HK$'000	Leasehold improve-ments HK$'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 2006							
Cost or valuation	162,776	1,191	718,706	9,399	14,825	20,147	927,044
Accumulated depreciation and impairment	(50,608)	(1,008)	(340,275)	(5,267)	(11,464)	(14,232)	(422,854)
Net book amount	112,168	183	378,431	4,132	3,361	5,915	504,190
Year ended 31 December 2006							
Opening net book amount	112,168	183	378,431	4,132	3,361	5,915	504,190
Exchange differences	4,729	2	15,482	248	108	230	20,799
Proportionate consolidation of a jointly controlled entity	10,925	–	30,975	105	–	259	42,264
Reclassification	288	–	(312)	295	5	(276)	–
Additions	–	13	212	537	367	2,235	3,364
Transfer from construction in progress *(Note 18)*	1,146	–	24,231	1,801	–	–	27,178
Disposals *(Note 39)*	(15)	–	(296)	(23)	(48)	(73)	(455)
Depreciation	(6,378)	(74)	(48,300)	(1,034)	(874)	(1,788)	(58,448)
Closing net book amount	122,863	124	400,423	6,061	2,919	6,502	538,892
At 31 December 2006							
Cost or valuation	187,892	1,208	825,152	14,807	15,268	21,675	1,066,002
Accumulated depreciation and impairment	(65,029)	(1,084)	(424,729)	(8,746)	(12,349)	(15,173)	(527,110)
Net book amount	122,863	124	400,423	6,061	2,919	6,502	538,892

Notes to the 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 2007							
Opening net book amount	122,863	124	400,423	6,061	2,919	6,502	538,892
Exchange differences	8,632	4	27,978	374	159	477	37,624
Reclassification	–	–	–	(4)	4	–	–
Additions	662	42	4,262	2,780	282	737	8,765
Transfer from construction in progress *(Note 18)*	262	–	4,275	1,804	–	96	6,437
Disposals *(Note 39)*	(492)	–	(2,221)	–	–	(299)	(3,012)
Depreciation	(7,492)	(76)	(53,966)	(1,844)	(613)	(2,027)	(66,018)
Closing net book amount	124,435	94	380,751	9,171	2,751	5,486	522,688
At 31 December 2007							
Cost or valuation	201,358	1,259	887,867	18,153	16,531	22,806	1,147,974
Accumulated depreciation and impairment	(76,923)	(1,165)	(507,116)	(8,982)	(13,780)	(17,320)	(625,286)
Net book amount	124,435	94	380,751	9,171	2,751	5,486	522,688

Note: The buildings are located on certain pieces of land in the PRC on leases of between 10 to 50 years.

Notes to the Financial Statements

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

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

The analysis of the cost or valuation at 31 December 2007 of the above assets is as follows:

	Buildings	Leasehold improve-ments	Plant and machinery	Office equipment	Furniture, fixtures and equipment	Motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At cost	**200,917**	**1,259**	**887,867**	**18,153**	**16,531**	**22,806**	**1,147,533**
At valuation – 1994	**441**	**–**	**–**	**–**	**–**	**–**	**441**
	201,358	**1,259**	**887,867**	**18,153**	**16,531**	**22,806**	**1,147,974**

The analysis of the cost or valuation at 31 December 2006 of the above assets is as follows:

	Buildings	Leasehold improve-ments	Plant and machinery	Office equipment	Furniture, fixtures and equipment	Motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At cost	187,451	1,208	825,152	14,807	15,268	21,675	1,065,561
At valuation – 1994	441	–	–	–	–	–	441
	187,892	1,208	825,152	14,807	15,268	21,675	1,066,002

Notes to the Financial Statements

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

(b) The Company

	Buildings HK$'000	Leasehold improvements HK$'000	Furniture, fixtures & equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
At 1 January 2006					
Cost or valuation	441	1,124	968	2,430	4,963
Accumulated depreciation and impairment	(152)	(986)	(727)	(1,638)	(3,503)
Net book amount	289	138	241	792	1,460
Year ended 31 December 2006					
Opening net book amount	289	138	241	792	1,460
Additions	–	–	54	434	488
Disposals	–	–	(1)	–	(1)
Depreciation	(9)	(62)	(160)	(447)	(678)
Closing net book amount	280	76	134	779	1,269
At 31 December 2006					
Cost or valuation	441	1,124	951	2,579	5,095
Accumulated depreciation and impairment	(161)	(1,048)	(817)	(1,800)	(3,826)
Net book amount	280	76	134	779	1,269
Year ended 31 December 2007					
Opening net book amount	**280**	**76**	**134**	**779**	**1,269**
Additions	**–**	**41**	**315**	**–**	**356**
Depreciation	**(9)**	**(61)**	**(67)**	**(467)**	**(604)**
Closing net book amount	**271**	**56**	**382**	**312**	**1,021**
At 31 December 2007					
Cost or valuation	**441**	**1,165**	**1,118**	**1,861**	**4,585**
Accumulated depreciation and impairment	**(170)**	**(1,109)**	**(736)**	**(1,549)**	**(3,564)**
Net book amount	**271**	**56**	**382**	**312**	**1,021**

Notes to the Financial Statements

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

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

The analysis of the cost or valuation at 31 December 2007 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 cost	**–**	**1,165**	**1,118**	**1,861**	**4,144**
At valuation – 1994	**441**	**–**	**–**	**–**	**441**
	441	**1,165**	**1,118**	**1,861**	**4,585**

The analysis of the cost or valuation at 31 December 2006 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 cost	–	1,124	951	2,579	4,654
At valuation – 1994	441	–	–	–	441
	441	1,124	951	2,579	5,095

(c) Certain buildings 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 the historical cost basis, the amounts would be as follows:

	The Group		**The Company**	
	2007 *HK$'000*	2006 *HK$'000*	**2007** *HK$'000*	2006 *HK$'000*
Cost	**76**	76	**76**	76
Accumulated depreciation	**(19)**	(18)	**(19)**	(18)
	57	58	**57**	58

(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$385,065,000 (2006: HK$356,809,000).

Notes to the Financial Statements

16 INVESTMENT PROPERTIES

	The Group		The Company	
	2007	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
At 1 January	**9,590**	14,730	**8,460**	13,630
Disposals *(Note 39)*	**(2,200)**	(5,200)	**(2,200)**	(5,200)
Fair value gains	**2,430**	60	**2,220**	30
At 31 December	**9,820**	9,590	**8,480**	8,460

A revaluation of investment properties was performed by CB Richard Ellis Limited, an independent firm of registered professional surveyors and valuers, on 31 December 2007. 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 Group's interests in investment properties at their net book values are analysed as follows:

	The Group		The Company	
	2007	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
In the PRC, held on:				
Leases of between 10 to 50 years	**9,820**	7,390	**8,480**	6,260
In Macau, held on:				
Leases of between 10 to 50 years	**–**	2,200	**–**	2,200
	9,820	9,590	**8,480**	8,460

Notes to the Financial Statements

17 LAND USE RIGHTS – THE GROUP

The Group's interests in land use rights represent prepaid operating lease payments and their net book amounts are analysed as follows:

	2007 HK$'000	2006 HK$'000
In the PRC, held on:		
Leases of between 10 to 50 years	**15,252**	16,053
At 1 January	**16,053**	11,992
Exchange difference	**1,125**	622
Proportionate consolidation of a jointly controlled entity	**–**	4,811
Additions	**60**	344
Amortisation of prepaid operating lease payments	**(1,986)**	(1,716)
At 31 December	**15,252**	16,053

Certain banking facilities of the Group are secured by the Group's land use rights for the carrying amount of approximately HK$14,895,000 (2006: HK$11,471,000).

18 CONSTRUCTION IN PROGRESS – THE GROUP

	2007 HK$'000	2006 HK$'000
At 1 January	**4,576**	5,415
Exchange difference	**320**	179
Proportionate consolidation of a jointly controlled entity	**–**	1
Additions	**15,474**	25,950
Transfer to property, plant and equipment *(Note 15)*	**(6,437)**	(27,178)
Reversal of provision for impairment loss	**–**	209
At 31 December	**13,933**	4,576

Notes to the Financial Statements

19 INTERESTS IN SUBSIDIARIES

	The Company	
	2007	2006
	HK$'000	*HK$'000*
Investments in subsidiaries		
Unlisted shares/investments at cost	**2,179,317**	2,179,317
Less: Provision for impairment	**(13,194)**	(13,403)
	2,166,123	2,165,914
Amounts due from subsidiaries *(Note (i))*	**1,629,240**	1,269,140
Less: Provision for impairment	**(958,100)**	(837,406)
	671,140	431,734
	2,837,263	2,597,648
Loans to subsidiaries *(Note (ii))*	**1,347,000**	111,899
Amounts due to subsidiaries *(Note (iii))*	**(54,538)**	(1,032,454)

Note:

(i) The amounts due from subsidiaries are unsecured, interest-free and do not have fixed repayment terms.

(ii) Except for an amount of approximately HK$607,000,000 (2006: HK$50,907,000), which bears interest at the prevailing market interest rate, all the loans to subsidiaries are unsecured, interest free and have repayment terms of less than one year.

(iii) The amounts due to subsidiaries are unsecured, interest-free and repayable on demand.

Notes to the Financial Statements

19 INTERESTS IN SUBSIDIARIES *(cont'd)*

The following is a list of the principal subsidiaries at 31 December 2007:

Name of company	Place of incorporation/ operation	Principal activities	Particular of issued or paid up capital	Proportion of issued capital held by the Company Directly	Indirectly
Minmetals Aluminium Company Limited[2]	PRC	Trading of alumina and other aluminium products	RMB1,780,000,000	–	100%
Sino Mining International Limited	Cayman Islands/ Australia	Investment holding	115,000,000 shares of US$1 each[1]	–	100%
Sino Mining Alumina Limited	Cayman Islands/ Australia	Purchase and supply of alumina	85,000,000 shares of US$1 each[1]	–	100%
Minmetals Resources Copper Company Limited (Formerly known as "Oriental Copper Company Limited")	Hong Kong	Non-ferrous metals trading	28,800 shares of HK$100 each[1]	100%	–
Minmetals Resources Aluminium Company Limited (Formerly known as "Orienmet Aluminium Company Limited")	Hong Kong	Non-ferrous metals trading	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]	PRC	Production and sale of aluminium foils and extrusions	RMB344,800,000	–	51%
Yingkou Orienmet Plica Tube Company Limited[3]	PRC	Production and sale of plica tubes	US$4,000,000	–	51%
Minmetals Non-ferrous Lianyungang Company Limited[2]	PRC	Provision of logistics services	RMB1,000,000	–	100%
First Harvest Limited	British Virgin Islands	Issuance of convertible bonds	1 share of US$1 each[1]	100%	–

Note:

1 The class of shares held is ordinary.

2 Wholly foreign-owned enterprise registered under the PRC law. Statutory financial statements of these entities are not audited by PricewaterhouseCoopers.

3 Sino-foreign equity joint venture registered under the PRC law. Statutory financial statements of these entities are not audited by PricewaterhouseCoopers.

Notes to the Financial Statements

20. INTERESTS IN JOINTLY CONTROLLED ENTITIES – THE GROUP

At 31 December 2007, the Group owned 36% equity interest in Changzhou Jinyuan Copper Company Limited ("Changzhou Jinyuan") and 51% equity interest in Mincenco Limited. Both of which were accounted for by using proportionate consolidation method. The following amounts represent the Group's share of the assets and liabilities, and revenue and results of the jointly controlled entities at and for the year ended 31 December 2007.

	2007 ***HK$'000***	2006 *HK$'000*
Share of assets and liabilities at 31 December		
Non-current assets	**44,006**	45,115
Current assets	**1,087,136**	392,664
Total assets	**1,131,142**	437,779
Non-current liabilities	**(7,931)**	(3,967)
Current liabilities	**(1,006,075)**	(334,769)
Total liabilities	**(1,014,006)**	(338,736)
Net assets	**117,136**	99,043
Share of revenue and results for the year ended 31 December		
Revenue	**3,167,447**	2,201,480
Profit after income tax	**13,495**	7,590

The Group provided a corporate guarantee of RMB36,000,000 (2006: RMB36,000,000) (equivalent to HK$38,520,000 (2006: HK$36,000,000)) in respect of a banking facility granted to Changzhou Jinyuan. There are no commitments relating to the Group's interests in the above jointly controlled entities, and no contingent liabilities of the jointly controlled entities themselves.

Notes to the Financial Statements

21 INTERESTS IN ASSOCIATES – THE GROUP

	2007 HK$'000	2006 HK$'000
Share of net assets at 1 January	**40,601**	77,176
Movements during the year:		
Share of associates' results		
– Profit before income tax	**47,459**	40,224
– Income tax expense	**(13,200)**	(10,354)
	34,259	29,870
Acquisition of additional interest in an associate	**–**	62
Exchange difference	**5,588**	2,178
Dividends received	**(41)**	(7,804)
Reclassified as a jointly controlled entity	**–**	(60,881)
	39,806	(36,575)
Share of net assets at 31 December	**80,407**	40,601
Add: Amounts due from associates *(Note)*	**32,989**	34,565
Less: Provision for impairment	**(26,154)**	(27,281)
	6,835	7,284
	87,242	47,885

Note: The amounts due from associates are unsecured, interest-free and not repayable within twelve months.

Notes to the Financial Statements

21 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	Particulars of paid-up capital	Place of incorporation	Assets	Liabilities	Revenues	Profit	Interest held
			HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	
2007							
Qingdao M. C. Packaging Limited [1]	USD25,000,000	PRC	37,423	(24,002)	53,028	3,413	20%
Sino Nickel Pty Ltd	AUD1,000,000	Australia	127,389	(61,097)	736,205	30,780	40%
2006							
Qingdao M. C. Packaging Limited [1]	USD25,000,000	PRC	33,995	(24,795)	44,475	1,186	20%
Sino Nickel Pty Ltd	AUD1,000,000	Australia	98,359	(67,580)	521,523	19,796	40%

Note:

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

22 ALUMINA PURCHASING RIGHTS – THE GROUP

	2007	2006
	HK$'000	*HK$'000*
At 1 January	**2,622,149**	3,894,461
Reversal of provision for/(Provision for) impairment	**257,622**	(877,613)
Amortisation	**(134,016)**	(394,699)
At 31 December	**2,745,755**	2,622,149

At 30 June 2007, in response to the changes in market forecast and the rebound of alumina market prices, the Group appointed independent professional appraisers to perform a valuation of its alumina purchasing rights. The recoverable amount of these rights is determined based on fair value less costs to sell. In performing the valuation, reference is made to the historical prices of primary aluminium (the "Aluminium") and alumina, and the recent transaction prices of the primary aluminium futures traded at the London Metal Exchange. Additionally, reference is also made to the international freight on board alumina market price around the valuation date and its historical price relationship with the aluminium. Based on the valuation result, the Directors of the Company decided to reverse the provision for impairment of alumina purchasing rights by HK$257,622,000.

Notes to the Financial Statements

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

In view of the fact that alumina prices showed no substantial movements since the aforesaid valuation and there were no significant changes in market conditions and forecasts in the foreseeable future, no further adjustments on the provision for impairment in alumina purchasing rights were made in the second half of 2007.

The alumina purchasing rights at 31 December 2007 represented the Group's rights to source alumina, amounting to approximately 400,000 tonnes per annum for the period from 2008 to mid-2027, at prices which correlate to the production costs of an alumina supplier.

At 31 December 2007, such rights were pledged to a bank to secure certain banking facilities of the Group.

23 AVAILABLE-FOR-SALE FINANCIAL ASSETS – THE GROUP

	2007	2006
	HK$'000	*HK$'000*
At 1 January	**450,933**	313,663
Disposals	**–**	(113,275)
Revaluation surplus transfer to equity *(Note 31)*	**25,151**	250,545
At 31 December	**476,084**	450,933

There were no impairment provisions on available-for-sale financial assets in 2007 and 2006.

Available-for-sale financial assets represent:

	2007	2006
	HK$'000	*HK$'000*
Listed equity securities – Australia	**476,084**	450,933
Market value of listed securities	**476,084**	450,933

Notes to the Financial Statements

24 DEFERRED INCOME TAX – THE GROUP

Deferred income tax is calculated in full on temporary differences under the liability method using a principal taxation rate of 25% (2006: 33%).

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

	Impairment of assets		Alumina purchasing rights		Provision for sales contract obligations		Others		Total	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
At 1 January	**44,465**	20,613	**(183,783)**	(1,037,795)	**-**	349,357	**(4,339)**	3,236	**(143,657)**	(664,589)
Exchange differences	**2,054**	1,640	**-**	-	**-**	-	**(261)**	(35)	**1,793**	1,605
Proportionate consolidation of a jointly controlled entity	**-**	-	**-**	-	**-**	-	**-**	(4,400)	**-**	(4,400)
Credited/(charged) to the income statement *(Note 9)*	**(29,643)**	22,212	**51,764**	854,012	**-**	(349,357)	**(5,015)**	(3,140)	**17,106**	523,727
At 31 December	**16,876**	44,465	**(132,019)**	(183,783)	**-**	-	**(9,615)**	(4,339)	**(124,758)**	(143,657)

At 31 December 2007, as a result of the new CIT Law and the rules stipulated in the DIR and related circular, the carrying values of deferred tax assets and deferred tax liabilities have been written down by HK$2,803,000 and HK$39,848,000 respectively.

(b) Deferred income tax assets are recognised for tax losses available for 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$267 million (2006: HK$269 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.

(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 the same fiscal authority. The following amounts, determined after appropriate offsetting, are shown in the balance sheet:

	2007	2006
	HK$'000	*HK$'000*
Net deferred income tax assets	**15,401**	19,915
Net deferred income tax liabilities	**(140,159)**	(163,572)
	(124,758)	(143,657)

Notes to the Financial Statements

25 INVENTORIES – THE GROUP

	2007 HK$'000	2006 HK$'000
Raw materials	**124,409**	130,720
Work in progress	**128,766**	83,908
Finished goods	**167,182**	172,153
Commodities held for sales	**476,485**	103,472
Goods-in-transit	**215**	108,326
	897,057	598,579

The cost of inventories recognised as expense and included in cost of sales amounted to HK$9,229,206,000 (2006: HK$10,937,000,000). During the year, the Group recorded a reversal of provision for inventory impairment of HK$5,284,000 (2006: provision for inventory impairment of HK$75,119,000), which has been included in cost of sales in the income statement.

At 31 December 2006, certain banking facilities of the Group were secured by the Group's inventories for the carrying amount of HK$14,400,000.

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. An aging analysis of trade receivables is shown as follows:

	2007		2006	
	HK$'000	%	*HK$'000*	%
Trade receivables				
Less than 6 months	**257,099**	**82**	275,199	81
6 months – 1 year	**3,769**	**1**	2,583	1
Over 1 year	**54,857**	**17**	63,094	18
	315,725	**100**	340,876	100
Less: Provision for impairment of receivables	**(59,828)**		(65,144)	
Trade receivables – net	**255,897**		275,732	
Bills receivable *(Note)*	**1,088,393**		662,158	
	1,344,290		937,890	

Note: Bills receivable are with maturity dates of less than 6 months. Approximately HK$795,633,000 (2006: HK$554,968,000) of which has been discounted to banks or endorsed to suppliers.

Notes to the 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:

	2007 **HK$'000**	2006 HK$'000
Renminbi	**1,322,350**	926,298
US dollars	**21,940**	11,592
	1,344,290	937,890

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

	2007 **HK$'000**	2006 HK$'000
At 1 January	**65,144**	70,938
Exchange differences	**2,370**	1,485
Reversal of provision for impairment of receivables	**(3,640)**	(6,223)
Receivables written off as uncollectible	**(4,046)**	(1,056)
At 31 December	**59,828**	65,144

At 31 December 2007, trade receivables of HK$59,828,000 were impaired. The aging analysis of these receivables is as follows:

	2007 **HK$'000**	2006 HK$'000
Less than 6 months	**5,192**	2,022
6 months – 1 year	**199**	28
1 – 2 years	**1,261**	1,796
Over 2 years	**53,176**	61,298
	59,828	65,144

Notes to the Financial Statements

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

At 31 December 2007, trade receivables of HK$7,394,000 (2006: HK$2,646,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these receivables is as follows:

	2007	2006
	HK$'000	*HK$'000*
Less than 3 months	**3,751**	2,555
3 – 6 months	**3,643**	91
	7,394	2,646

27 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES – THE GROUP

	2007	2006
	HK$'000	*HK$'000*
Deposits paid for acquisitions of equity interests in a subsidiary and an associate	**233,903**	–
Prepayments to suppliers for purchase of inventories	**225,648**	90,000
Other receivables	**16,926**	39,919
Other prepayments	**144,162**	33,487
	620,639	163,406

Notes to the Financial Statements

28 DERIVATIVE FINANCIAL INSTRUMENTS – THE GROUP

	2007		2006	
	Assets	**Liabilities**	Assets	Liabilities
	HK$'000	***HK$'000***	*HK$'000*	*HK$'000*
Carried at fair value				
– Aluminium forward contracts	**13,913**	**–**	–	(55,038)
– Interest rate swaps	**–**	**(17,175)**	–	(8,210)
– Foreign exchange forward contracts	**–**	**–**	818	–
– Copper futures contracts	**6,233**	**–**	–	(3,573)
	20,146	**(17,175)**	818	(66,821)
The derivative financial instruments are analysed as follows:				
Non-current portion				
– Aluminium forward contracts	**–**	**–**	–	(7,968)
– Interest rate swaps	**–**	**(11,563)**	–	–
	–	**(11,563)**	–	(7,968)
Current portion				
– Aluminium forward contracts	**13,913**	**–**	–	(47,070)
– Interest rate swaps	**–**	**(5,612)**	–	(8,210)
– Foreign exchange forward contracts	**–**	**–**	818	–
– Copper futures contracts	**6,233**	**–**	–	(3,573)
	20,146	**(5,612)**	818	(58,853)
Total	**20,146**	**(17,175)**	818	(66,821)

Notes to the Financial Statements

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

(a) Aluminium forward contracts

The total notional principal amount of the outstanding aluminium forward contracts as at 31 December 2007 was approximately HK$234 million (2006: HK$655 million). Under the terms of the contracts, the Group will sell 13,000 tonnes (2006: 40,830 tonnes) of aluminium with prices ranging from USD2,475 to USD2,720 per tonne (2006: USD2,395 to USD2,747 per tonne).

(b) Interest rate swaps

The total notional principal amount of the outstanding interest rate swaps at 31 December 2007 was approximately HK$534 million (2006: HK$534 million).

At 31 December 2007, the fixed interest rate was 5.325% (2006: 8.500%) per annum and the principal floating rate was LIBOR.

(c) Foreign exchange forward contracts

There were no outstanding foreign exchange forward contracts at 31 December 2007. The total notional principal amount of the outstanding foreign exchange forward contracts at 31 December 2006 was approximately HK$12 million, under which the Group would buy $2 million Australian dollars at an average exchange rate of USD0.7255:AUD1.

(d) Copper futures contracts

At 31 December 2007, the total notional principal amount of the outstanding copper futures contracts entered into by a jointly controlled entity amounted to approximately HK$165 million (2006: HK$113 million).

Notes to the Financial Statements

29 CASH AND CASH EQUIVALENTS AND PLEDGED BANK DEPOSITS

	The Group		The Company	
	2007	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Cash at bank and in hand	**2,349,895**	1,354,788	**115,893**	28,916
Short-term bank deposits	**530,475**	1,313,287	**497,144**	1,209,469
	2,880,370	2,668,075	**613,037**	1,238,385
Pledged bank deposits	**41,145**	38,209	**–**	–
	2,921,515	2,706,284	**613,037**	1,238,385

The effective interest rate on short-term bank deposits was 4.0% (2006: 3.9%). These deposits have an average maturity of 12 days (2006: 20 days).

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

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

	The Group		The Company	
	2007	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Renminbi	**1,682,263**	891,965	**117**	102
US dollars	**595,465**	539,443	**6,300**	46,918
Hong Kong dollars	**606,964**	1,191,641	**606,620**	1,191,356
Australian dollars	**36,823**	83,235	**–**	9
	2,921,515	2,706,284	**613,037**	1,238,385

Notes to the Financial Statements

30 SHARE CAPITAL

	Number of shares *(in thousand)*	Ordinary shares *HK$'000*
Authorised:		
Ordinary shares of HK$0.05 each at 31 December 2007 and 31 December 2006	6,000,000	300,000
Issued and fully paid:		
Ordinary shares of HK$0.05 each at 1 January 2006 and 31 December 2006	1,714,441	85,722
Conversion of convertible bonds into ordinary shares	341,880	17,094
Exercise of share options	2,400	120
At 31 December 2007	2,058,721	102,936

31 RESERVES

(a) The Group

	Share premium *HK$'000*	Capital reserve *HK$'000*	Special capital reserve *HK$'000*	General reserve *HK$'000*	PRC statutory reserves *HK$'000*	Exchange translation reserve *HK$'000*	Available-for-sale financial assets reserve *HK$'000*	Hedging reserve *HK$'000*	Share options reserve *HK$'000*	Accumulated losses *HK$'000*	Total *HK$'000*
At 1 January 2006	3,503,362	48,380	125,374	15,600	72,600	5,349	109,828	–	–	(885,192)	2,995,301
Currency translation differences	–	–	–	–	–	45,676	–	–	–	–	45,676
Available-for-sale financial assets											
– Disposals	–	–	–	–	–	–	(39,663)	–	–	–	(39,663)
– Fair value gain *(Note 23)*	–	–	–	–	–	–	250,545	–	–	–	250,545
Cash flow hedge	–	–	–	–	–	–	–	818	–	–	818
Recognition of equity-settled share based payment *(Note 38)*	–	–	–	–	–	–	–	–	21,662	–	21,662
Profit for the year	–	–	–	–	–	–	–	–	–	865,320	865,320
Transfer to PRC statutory reserves	–	–	–	–	87,758	–	–	–	–	(87,758)	–
At 31 December 2006	3,503,362	48,380	125,374	15,600	160,358	51,025	320,710	818	21,662	(107,630)	4,139,659

Notes to the Financial Statements

31 RESERVES *(cont'd)*

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

	Share premium HK$'000	Capital reserve HK$'000	Special capital reserve HK$'000	General reserve HK$'000	PRC statutory reserves HK$'000	Exchange translation reserve HK$'000	Available-for-sale financial assets reserve HK$'000	Hedging reserve HK$'000	Convertible bonds equity reserve HK$'000	Share options reserve HK$'000	(Accumu-lated losses)/ Retained profits HK$'000	Total HK$'000
At 1 January 2007	3,503,362	48,380	125,374	15,600	160,358	51,025	320,710	818	-	21,662	(107,630)	4,139,659
Capital reorganisation *(Note 31(d))*	(764,428)	-	(125,374)	-	-	-	-	-	-	-	889,802	-
Transfer to reserve for the undertaking given by the Company *(Note (e))*	-	-	69,084	-	-	-	-	-	-	-	(69,084)	-
Recognition of convertible bonds without the cash settlement option *(Note 34(b))*	-	-	-	-	-	-	-	-	360,478	-	-	360,478
Conversion of convertible bonds into ordinary shares	1,192,055	-	-	-	-	-	-	-	(360,478)	-	-	831,577
Currency translation differences	-	-	-	-	-	23,862	-	-	-	-	-	23,862
Cash flow hedge	-	-	-	-	-	-	-	(17,993)	-	-	-	(17,993)
Recognition of equity-settled share based payment *(Note 38)*	-	-	-	-	-	-	-	-	-	401	-	401
Exercise of share options	8,673	-	-	-	-	-	-	-	-	(2,253)	-	6,420
Fair value gain *(Note 23)*	-	-	-	-	-	-	25,151	-	-	-	-	25,151
Profit for the year	-	-	-	-	-	-	-	-	-	-	845,658	845,658
Dividends paid	-	-	-	-	-	-	-	-	-	-	(10,057)	(10,057)
Transfer to PRC statutory reserves	-	-	-	-	61,666	-	-	-	-	-	(61,666)	-
At 31 December 2007	3,939,662	48,380	69,084	15,600	222,024	74,887	345,861	(17,175)	-	19,810	1,487,023	6,205,156

Notes to the Financial Statements

31 RESERVES *(cont'd)*

(b) The Company

	Share premium HK$'000	Capital reserve HK$'000	Special capital reserve HK$'000	General reserve HK$'000	Share options reserve HK$'000	(Accumulated losses)/ Retained profits HK$'000	Total HK$'000
At 1 January 2006	3,503,362	48,380	125,374	15,600	–	(913,184)	2,779,532
Recognition of equity-settled share-based payment *(Note 38)*	–	–	–	–	21,662	–	21,662
Profit for the year	–	–	–	–	–	29,169	29,169
At 31 December 2006	**3,503,362**	**48,380**	**125,374**	**15,600**	**21,662**	**(884,015)**	**2,830,363**
Capital reorganisation *(Note (d))*	**(764,428)**	**–**	**(125,374)**	**–**	**–**	**889,802**	**–**
Transfer to reserve for the undertaking given by the Company *(Note (e))*	**–**	**–**	**69,084**	**–**	**–**	**(69,084)**	**–**
Issue of ordinary shares	**1,192,055**	**–**	**–**	**–**	**–**	**–**	**1,192,055**
Recognition of equity-settled share based payment *(Note 38)*	**–**	**–**	**–**	**–**	**401**	**–**	**401**
Exercise of share options	**8,673**	**–**	**–**	**–**	**(2,253)**	**–**	**6,420**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**631,871**	**631,871**
Dividend paid	**–**	**–**	**–**	**–**	**–**	**(10,057)**	**(10,057)**
At 31 December 2007	**3,939,662**	**48,380**	**69,084**	**15,600**	**19,810**	**558,517**	**4,651,053**

Notes to the Financial Statements

31 RESERVES *(cont'd)*

(c) 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.

(d) 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 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.

(e) In relation to the capital reorganisation as mentioned in Note 31(d) above, the Company has provided an undertaking ("Undertaking") in relation to its petition to the court that as long as any debt or liability of claim against the Company as at the effective date of the aforementioned capital reorganisation remains outstanding, the Company should credit the following amounts to a special reserve (the "Special Reserve"):

(i) All retained profits, if any, accruing to the Company between 1 November 2006 and 13 February 2007 (the effective date of the aforementioned capital organisation);

Notes to the Financial Statements

31 RESERVES *(cont'd)*

(e) *(cont'd)*

(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 at 31 October 2006; and

(iii) An amount equal to the change in fair value in respect of certain share options not yet vested 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 year ended 31 December 2007, an amount of approximately HK$69,084,000 was credited to the Company's special capital reserve in accordance with the Undertaking.

32 DEFERRED INCOME – THE GROUP

	2007 *HK$'000*	2006 *HK$'000*
At 1 January	**25,824**	27,138
Exchange differences	**1,690**	1,001
Amortisation *(Note 6)*	**(2,450)**	(2,315)
At 31 December	**25,064**	25,824

Deferred income represents grants obtained from the PRC government in relation to the purchase of certain plant and machinery of the Group.

Notes to the Financial Statements

33 BANK BORROWINGS – THE GROUP

	2007 **HK$'000**	2006 HK$'000
Amount due within one year and included under current liabilities	**718,828**	1,072,170
Amount due after one year	**475,799**	–
Total bank borrowings	**1,194,627**	1,072,170
Analysed as:		
– Secured	**719,265**	865,800
– Unsecured	**475,362**	206,370
	1,194,627	1,072,170
Bank borrowings are repayable as follows:		
Within 1 year	**718,828**	1,072,170
Between 1 and 2 years	**46,800**	–
Between 2 and 5 years	**140,400**	–
Wholly repayable within 5 years	**906,028**	1,072,170
Over 5 years	**288,599**	–
	1,194,627	1,072,170

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

	2007 **HK$'000**	2006 HK$'000
US dollars		
– at fixed rates	**109,080**	51,993
– at floating rates	**522,599**	569,400
	631,679	621,393
Renminbi		
– at fixed rates	**562,948**	450,777
	1,194,627	1,072,170

Notes to the Financial Statements

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

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

	2007		2006	
	USD	**RMB**	USD	RMB
Bank borrowings	**5.81%**	**6.47%**	6.20%	5.62%

At 31 December 2007, the bank borrowings of the Group were secured by:

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

(ii) certain property, plant and equipment, land use rights and inventories of the Group with a carrying amount of approximately HK$399,960,000 (2006: HK$382,680,000); and

(iii) pledged bank deposits of approximately HK$41,145,000 (2006: HK$38,209,000).

34 CONVERTIBLE BONDS – THE GROUP

In 2007, convertible bonds with an aggregate principal amount of HK$1,000,000,000 were converted into 341,880,278 ordinary shares of the Company at the conversion price of HK$2.925 per share. Movements in convertible bonds during the year are summarised in Note (b) below.

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

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

Notes to the Financial Statements

34 CONVERTIBLE BONDS – THE GROUP *(cont'd)*

(a) Recognition of the convertible bonds with the Cash Settlement Option *(cont'd)*

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

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

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

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

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

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

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

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

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

Notes to the Financial Statements

34 CONVERTIBLE BONDS – THE GROUP *(cont'd)*

(b) Recognition of the convertible bonds without the Cash Settlement Option *(cont'd)*

	Convertible bonds		Fair value losses charged
	Liability component	Derivative component	to the income statement
	HK$'000	*HK$'000*	*HK$'000*
At 1 January 2007	675,837	304,300	–
Interest expense on convertible bonds	46,980	–	–
Fair value loss on the Old Bonds prior to its extinguishment	1,140	111,908	113,048
Fair value loss/(gain) on the extinguishment of the Old Bonds and recognition of the New Bonds	124,714	(55,730)	68,984
Transfer to convertible bonds equity reserve upon the recognition of the New Bonds	–	(360,478)	–
Exercise of conversion rights	(848,671)	–	–
At 31 December 2007/ For the year ended 31 December 2007	–	–	182,032

35 FINANCIAL GUARANTEE GRANTED TO A JOINTLY CONTROLLED ENTITY – THE COMPANY

In relation to a financial guarantee of RMB36,000,000 (2006: RMB36,000,000) (equivalent to approximately HK$38,520,000 (2006: HK$36,000,000)) granted by the Company to a bank for a loan borrowed by a jointly controlled entity, no recognition was made because the fair value of the financial guarantee was not material.

Notes to the Financial Statements

36 TRADE AND BILLS PAYABLES – THE GROUP

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

	2007		2006	
	HK$'000	**%**	*HK$'000*	%
Trade payables				
Less than 6 months	**509,608**	**99**	245,173	95
6 months – 1 year	**969**	**1**	4,134	2
1-2 years	**625**	**–**	7,767	3
Over 2 years	**37**	**–**	102	–
	511,239	**100**	257,176	100
Trade payables under endorsed bills	**317,373**		259,269	
Bills payable	**–**		125,873	
	828,612		642,318	

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 each 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 income statement of the Group, and represent contributions paid or payable by the Group at the rate specified in the rules of the plan.

The Group contributes to a superannuation fund for all Australian employees, which is established to provide the benefits of a superannuation income for employees in their retirement. The superannuation plan requires defined contributions by reference to accumulated contributions plus income from fund contributed. In accordance with the applicable regulations in Australia, the Group is required to contribute at a minimum rate of 9% of the basic salaries of the Australian employees.

The Group's total contributions to these schemes during the year ended 31 December 2007 amounted to approximately HK$13,097,000 (2006: HK$10,817,000).

Notes to the Financial Statements

38 SHARE OPTION SCHEME

(a) 1994 share option scheme

This share option scheme was adopted by the Company on 25 November 1994 and expired on 24 November 2004. After its expiry, no further options have been granted but its provisions remain in force to govern the exercise of the options that continue to be valid and outstanding.

The movements of the share options granted under the 1994 share option scheme during the year are as follows:

				Number of options		
Category and name of participant	**Date of grant**	**Exercise price per share**	**Exercise period**	**Balance as at 1 January 2007**	**Lapsed during the year**	**Balance as at 31 December 2007**
		HK$				
Director						
Xu Huizhong	15 March 2004	3.115	16 March 2004 to 15 March 2007	**2,000,000**	(2,000,000)	–
Employees of the Group	15 March 2004	3.115	16 March 2004 to 15 March 2007	**4,030,000**	(4,030,000)	–
				6,030,000	(6,030,000)	–

Notes to the Financial Statements

38 SHARE OPTION SCHEME *(cont'd)*

(b) 2004 share option scheme

This share option scheme was adopted by the Company on 28 May 2004. On 18 April 2006, 23,500,000 share options were granted to certain directors and employees of the Group in accordance with this scheme. No share options have been granted under this scheme since then.

The movements of the share options granted under the 2004 share option scheme during the year are as follows:

				Number of options			
Category and name of participant	Date of grant	Exercise price per share	Exercise period	Balance as at 1 January 2007	Exercised during the year	Lapsed during the year	Balance as at 31 December 2007
		HK$					
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**
Wang Lixin	18 April 2006	2.725	18 April 2006 to 17 April 2009	**2,000,000**	–	–	**2,000,000**
Shen Ling	18 April 2006	2.725	18 April 2006 to 17 April 2009	**1,500,000**	–	–	**1,500,000**
Zhang Shoulian	18 April 2006	2.725	18 April 2006 to 17 April 2009	**1,500,000**	–	–	**1,500,000**
Li Linhu	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**
Employees of the Group	18 April 2006	2.725	18 April 2006 to 17 April 2009	**9,900,000**	(2,400,000)	(500,000)	**7,000,000**
				23,500,000	(2,400,000)	(2,000,000)	**19,100,000**

Notes to the Financial Statements

38 SHARE OPTION SCHEME *(cont'd)*

(b) 2004 share option scheme *(cont'd)*

The fair value of the share options was estimated as at the date of grant by using a binominal model, taking into account the terms and conditions upon which the options were granted. The significant assumptions and inputs used in the valuation model were as follows:

Expected volatility	:	50%, based on historical volatility of the Company's shares for the past 100 days before the day of grant.
Risk-free interest rate	:	4.309% per annum, based on the rate of Hong Kong Exchange Fund Notes.
Expected life of the share options	:	2.5 years
Expected dividend yield	:	0%

Binomial model is subject to certain fundamental limitations because of the subjective nature of and uncertainty relating to the assumptions and inputs to the model as well as certain inherent limitations of the model itself. Any changes in the above assumptions or inputs may materially affect the fair value estimation.

The fair value of the 23,500,000 share options granted on 18 April 2006, amounting to approximately HK$22,064,000, is to be recognised as an employee benefit expense of the Group according to the vesting conditions. An amount of approximately HK$402,000 (2006: HK$21,662,000) was charged as the employee benefit expense for the year ended 31 December 2007.

Notes to the Financial Statements

39 NOTES TO CONSOLIDATED CASH FLOW STATEMENT

Reconciliation of profit for the year to net cash generated from operations is as follows:

	2007	2006
	HK$'000	*HK$'000*
Profit for the year	**861,814**	878,608
Adjustments for:		
– Income tax expense/(credit)	**110,761**	(343,066)
– Share of profits less losses of associates	**(34,259)**	(29,870)
– Interest income	**(84,180)**	(44,542)
– Interest expense	**137,296**	96,653
– Depreciation of property, plant and equipment and amortisation of land use rights	**68,004**	60,164
– (Gain)/Loss on disposal of property, plant and equipment and investment properties (see below)	**(151)**	310
– (Reversal of provision for)/Provision for inventory impairment	**(5,284)**	75,119
– Reversal of provision for impairment of receivables	**(4,767)**	(10,115)
– Reversal of provision for impairment loss of construction in progress	**–**	(209)
– Fair value gains on investment properties	**(2,430)**	(60)
– Gain on disposal of available-for-sale financial assets	**–**	(31,956)
– Amortisation of deferred income	**(2,450)**	(2,315)
– Amortisation of alumina purchasing rights	**134,016**	394,699
– (Reversal of provision for)/Provision for impairment of alumina purchasing rights	**(257,622)**	877,613
– Reversal of provision for sales contract obligations	**–**	(288,395)
– Realisation of provision for sales contract obligations		(770,263)
– Negative goodwill recognised	**–**	(8,518)
– Equity-settled share based payment	**401**	21,662
– Gain on disposal of an associate	**(1,360)**	–
– Fair value losses on convertible bonds	**182,032**	–
Changes in working capital (excluding the effect of exchange differences on consolidation):		
– Amounts due from associates	**1,811**	4,530
– Inventories	**(265,621)**	378,313
– Trade and bills receivables and prepayments, deposits and other receivables	**(619,205)**	(130,707)
– Amounts due from fellow subsidiaries	**5,296**	175,716
– Trade and bills payables and accruals, receipt in advance and other payables	**164,572**	(223,473)
– Derivative financial instruments	**(75,961)**	(103,424)
– Amount due to ultimate holding company, an intermediate holding company, fellow subsidiaries and associates	**7,136**	(5,471)
Net cash generated from operations	**319,849**	971,003

Notes to the Financial Statements

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

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

	2007 **HK$'000**	2006 *HK$'000*
Net book amount *(Notes 15 and 16)*	**5,212**	5,655
Gain/(Loss) on disposal of property, plant and equipment and investment properties	**151**	(310)
Proceeds from disposal of property, plant and equipment and investment properties	**5,363**	5,345

40 COMMITMENTS

(a) Operating lease commitments

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	
	2007 **HK$'000**	2006 *HK$'000*
Not later than one year	**4,285**	3,034
Later than one year and not later than five years	**3,566**	3,354
	7,851	6,388

At 31 December 2007, the Company did not have any significant commitment under operating leases (2006: Nil).

Notes to the Financial Statements

40 COMMITMENTS *(cont'd)*

(b) Capital commitments

Capital expenditures not yet incurred are as follows:

	The Group	
	2007	2006
	HK$'000	*HK$'000*
Property, plant and equipment *(Note (i))*		
Contracted but not provided for	**24,272**	10,416
Authorised but not contracted for	**373,399**	99,817
	397,671	110,233
Investments in a subsidiary and associates *(Note (ii))*		
Contracted but not provided for	**1,566,596**	70,000

Note:

(i) At 31 December 2007, the Group's capital commitments are related to the construction of a new aluminium foil plant as well as the expansion of other production facilities.

(ii) At 31 December 2007, the Group's capital commitments are related to the acquisition of equity interests in North China Aluminium Company Limited, Qinghai Province Investment Group Limited and Guangxi Huayin Aluminium Company Limited.

At 31 December 2007, the Company did not have any significant capital commitment (2006: Nil).

Notes to the Financial Statements

41 RELATED PARTY TRANSACTIONS

The Group is controlled by Top Create Resources Limited ("Top Create") (incorporated in the British Virgin Islands), which owns 53.39% of the Company's shares. The second largest shareholder of the Company is Coppermine Resources Limited ("Coppermine") (incorporated in the British Virgin Islands), which owns 9.00% of the Company's shares. The remaining 37.61% of the shares are widely held. Both Top Create and Coppermine are subsidiaries of the Group's ultimate holding company, China Minmetals Corporation, a state-owned enterprise established 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 subsidiaries, other state-owned enterprises and their subsidiaries directly or indirectly controlled by the PRC government, other entities and corporations in which the Company is able to control or exercise significant influence and key management personnel of the Company and China Minmetals Corporation as well as their close family members.

For the purpose of the related party transactions disclosures, 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 associates of the Group

	2007 ***HK$'000***	2006 *HK$'000*
Revenue		
Rental income received	**135**	123
Expenses		
Purchases of non-ferrous metals	**357,440**	280,851
Transportation fees paid	**15,642**	12,777

Notes to the Financial Statements

41 RELATED PARTY TRANSACTIONS *(cont'd)*

(b) Transactions with subsidiaries of China Minmetals Corporation

	2007 **HK$'000**	2006 *HK$'000*
Revenue		
Sales of non-ferrous metals to a fellow subsidiary	**48,030**	–
Expenses		
Purchases of non-ferrous metals from an intermediate holding company	**388,968**	391,998
Purchases of non-ferrous metals from fellow subsidiaries	**57,330**	280,804
Transportation fees paid to fellow subsidiaries	**19,247**	63,844
Commission fees paid to an immediate holding company	**–**	156
Rental paid to ultimate holding company	**326**	282
Rental paid to fellow subsidiaries	**973**	973

(c) Transactions with other state-owned enterprises

	2007 **HK$'000**	2006 *HK$'000*
Revenue		
Sales of non-ferrous metals	**3,097,870**	4,471,966
Expenses		
Purchases of non-ferrous metals	**2,145,050**	1,468,380
Transportation fees paid	**–**	41,469

(d) Key management compensation

	2007 **HK$'000**	2006 *HK$'000*
Salaries and other short-term employee benefits	**14,283**	14,581
Share-based payments	**401**	17,531
	14,684	32,112

Notes to the Financial Statements

41 RELATED PARTY TRANSACTIONS *(cont'd)*

(e) Year-end balances

	2007 **HK$'000**	2006 *HK$'000*
Receivables from, net		
– associates	**6,835**	7,284
– fellow subsidiaries	**2,489**	7,779
– other state-owned enterprises	**275,175**	94,278
Payables to		
– ultimate holding company	**–**	75
– an intermediate holding company	**–**	331
– fellow subsidiaries	**8,679**	260
– associates	**–**	840
– other state-owned enterprises	**79,408**	49,950

Note:

(i) 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.

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

(iii) The amounts due from associates are unsecured, interest-free and not repayable within twelve months.

42 EVENTS AFTER THE BALANCE SHEET DATE

Pursuant to an agreement entered into between Riseup Dragon Limited, a wholly owned subsidiary of the Group, and CITIC Investments Holdings Limited on 22 June 2007, the Group acquired 16.31% equity interest in North China Aluminium Company Limited ("NCA") at a consideration of RMB72,874,000 (equivalent to approximately HK$77,975,000). At 31 December 2007, the Group had 51% equity interests in NCA. After the completion of this acquisition in January 2008, the Group owns 67.31% equity interest in NCA.

Five-Year Financial Summary

A summary of the Group's results as well as its assets and liabilities for the last five financial years is set out as follows:

	2007	2006	2005	2004	2003
			(Note)	*(Note)*	*(Note)*
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Results – The Group					
Revenue	**10,504,622**	12,829,280	3,332,765	1,288,485	1,363,072
Operating profit	**1,002,225**	534,822	216,925	250,478	117,751
Finance costs-net	**(63,909)**	(29,150)	(14,358)	(14,642)	(37,505)
Share of profits less losses of associates	**34,259**	29,870	25,046	9,135	9,243
Profit before income tax	**972,575**	535,542	227,613	244,971	89,489
Income tax (expense)/credit	**(110,761)**	343,066	(24,532)	(10,551)	8,548
Profit for the year	**861,814**	878,608	203,081	234,420	98,037
Attributable to:					
Equity holders of the Company	**845,658**	865,320	181,746	217,726	89,202
Minority interest	**16,156**	13,288	21,335	16,694	8,835
	861,814	878,608	203,081	234,420	98,037

Note: Certain figures have been re-classified to conform with the presentation in 2007.

Five-Year Financial Summary

	2007	2006	2005	2004	2003
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Assets and liabilities – The Group					
Property, plant and equipment, investment properties, land use rights and construction in progress	**561,693**	569,111	536,327	511,272	488,718
Interests in associates	**87,242**	47,885	85,116	43,059	48,121
Alumina purchasing rights	**2,745,755**	2,622,149	3,894,461	–	–
Available-for-sale financial assets	**476,084**	450,933	313,663	–	2,217
Inventories	**897,057**	598,579	943,797	224,518	170,620
Trade and bills receivables	**1,344,290**	937,890	502,170	217,655	179,595
Pledged deposits and cash and cash equivalents	**2,921,515**	2,706,284	987,745	190,884	150,771
Other assets	**690,775**	191,918	261,230	86,639	69,675
Total assets	**9,724,411**	8,124,749	7,524,509	1,274,027	1,109,717
Capital and reserves attributable to the Company's equity holders	**6,308,092**	4,225,381	3,081,023	422,005	(261,805)
Minority interest	**251,828**	220,206	203,019	178,963	165,157
Total equity	**6,559,920**	4,445,587	3,284,042	600,968	(96,648)
Bank borrowings	**1,194,627**	1,072,170	1,151,318	313,208	775,306
Convertible bonds	**–**	980,137	–	–	–
Trade and bills payables	**828,612**	642,318	475,628	143,515	122,499
Advances from banks for bills discounted	**478,260**	295,699	55,779	–	–
Provision for sales contract obligations	**–**	–	1,058,658	–	–
Other liabilities	**662,992**	688,838	1,499,084	216,336	308,560
Total liabilities	**3,164,491**	3,679,162	4,240,467	673,059	1,206,365
Total equity and liabilities	**9,724,411**	8,124,749	7,524,509	1,274,027	1,109,717
Net current assets/(liabilities)	**3,294,230**	1,913,095	91,860	156,719	(488,918)
Total assets less current liabilities	**7,212,505**	5,623,088	4,656,924	723,610	68,446

五礦資源有限公司
MINMETALS RESOURCES LIMITED