五礦資源有限公司
MINMETALS RESOURCES LIMITED

Stock Code 股份代號: 1208

Looking Ahead

2008 Annual Report 年報

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Corporate Information

BOARD OF DIRECTORS

Chairman
ZHOU Zhongshu *(Non-executive Director)*

Vice Chairman
XU Huizhong *(Non-executive Director)*

Executive Directors
HAO Chuanfu
REN Suotang

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

Independent Non-executive Directors
LI Dongsheng
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
LI Dongsheng
CHAN Wai Dune, *FCCA, FTIHK, MSCA, FCPA (Practising)*
ZONG Qingsheng

REMUNERATION COMMITTEE

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

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

COMPANY SECRETARY

LEUNG Suet Kam, Lucia, *FCIS, FCS*

CHIEF FINANCIAL OFFICER

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

LEGAL ADVISER

Deacons

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants

SHARE REGISTRAR

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

PRINCIPAL BANKERS

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

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

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

WEBSITE

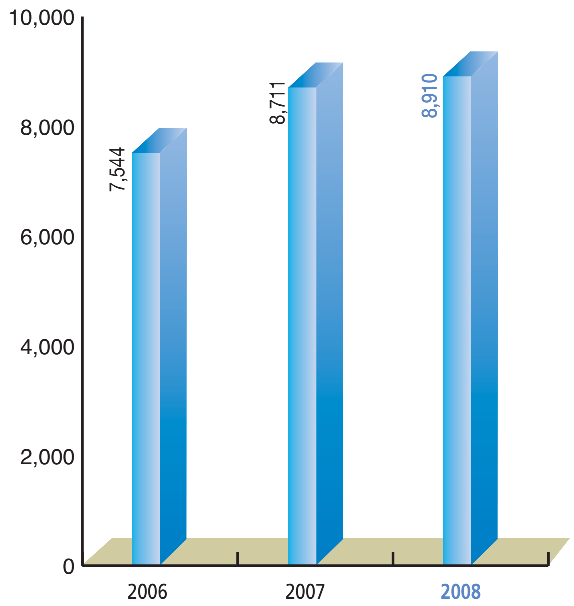
www.minmetalsresources.com

SHARE LISTING

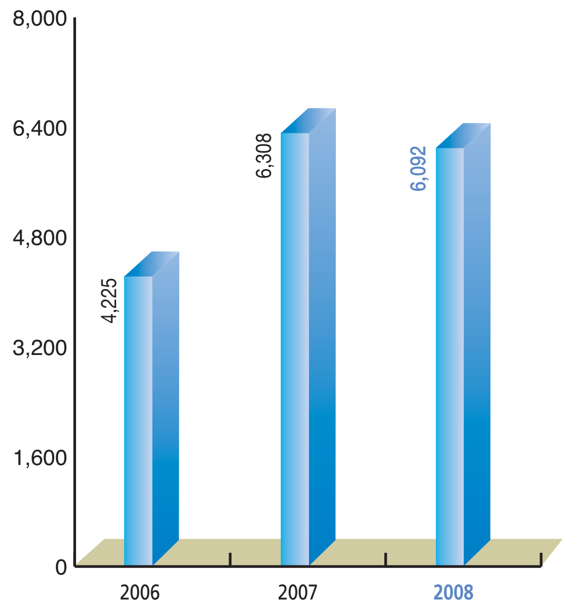
The Stock Exchange of Hong Kong Limited
Stock Code: 1208

Financial Highlights

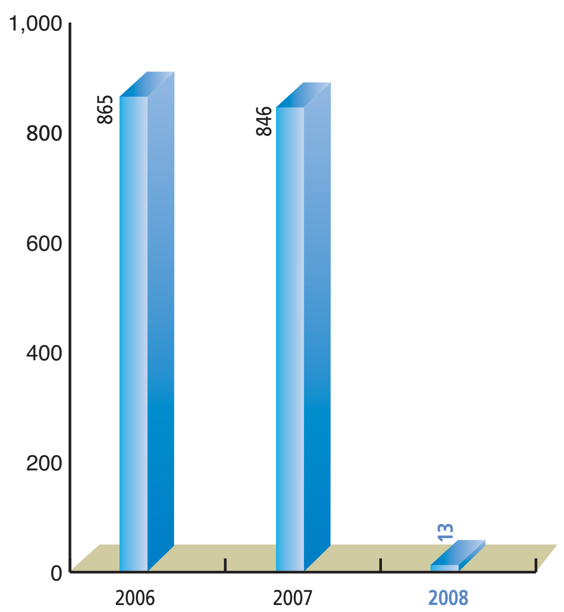
Total Assets (HK$ Million)



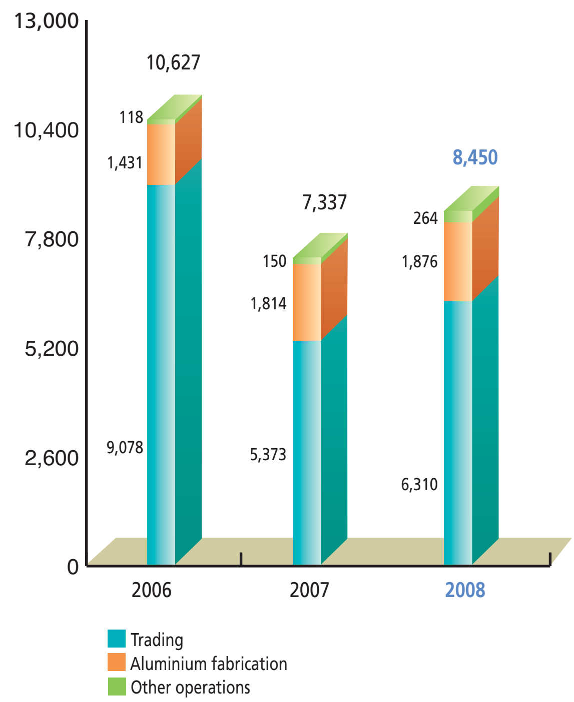
Shareholders' Equity (HK$ Million)



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



Segment Revenue (HK$ Million)



Chairman's Statement

Mr. ZHOU Zhongshu
Chairman

2008 was an extraordinary year for the Company. The non-ferrous metals industry, especially for the aluminium and copper businesses in which the Group is operating, had been subject to the impact of global financial crisis. Business environment had become complex and severe. Under the highly volatile market conditions, the management had taken a cautious approach to ensure business operations stability with special emphases on strengthening risk and treasury management. The year under review was a tough year. Despite the fairly large growth in the volume of alumina trading business, noticeable development in resources exploration and stable production and sales of our investee companies, overall results of the Group were severely affected by the depressed economy and declined significantly. The Group reported a revenue of HK$8,450,300,000 and profit attributable to equity holders of the Company of HK$12,543,000 for the year ended 31 December 2008. Earnings per share attributable to equity holders of the Company were HK0.61 cent. To strike a balance between retaining sufficient funds for future investment and rewarding our shareholders for maximising long-term shareholder value, no interim dividend was declared for the year. The Board of Directors did not recommend the payment of a final dividend.

For the trading business, the climbing global energy price increased the cost of imported alumina during the first half of 2008. The upsurging alumina price also drove significant additional production capacity in the PRC and overseas, resulting in considerable increase in supply. For the second half of 2008, global financial turmoil and recessions in the world major economies led to a dip in demand for alumina. Disparity between supply and demand caused the alumina price to drop significantly during the second half of 2008. The Company's investee company - Guangxi Huayin Aluminium Company Limited ("Guangxi Huayin") commenced production in 2008. Such provides the Group with stable source of domestic alumina supply and further strengthens the Group's ability to centrally manage resources from both the PRC and overseas. As a result, the Group reported encouraging growth in both alumina sales revenue and volume. In 2008, the Group imported approximately 1,100,000 tonnes of alumina into the PRC and was one of the largest alumina importers in the PRC. The Group also grew the aluminium ingot trading business by expanding the aluminium ingot tolling operation. Nevertheless, overall profit contribution from alumina and aluminium ingot trading business was hard hit by the above negative impacts. Profit for the year declined accordingly.

Chairman's Statement

With respect to aluminium resources exploration and operation integration, the Group completed the acquisition of a 33% equity interest in Guangxi Huayin at the end of April 2008. Its four production lines with total annual production capacity of 1,600,000 tonnes of alumina had commenced operation by mid-2008. Through investment in 33% equity interest in Guangxi Huayin, the Group has made a tactical advance in moving into up-stream operation of bauxite resource exploration and alumina production to facilitate further aluminium supply chain integration. Such also improved the mode of sourcing as well as built-up of reserve in the Mainland. Together with 400,000 tonnes of imported alumina sourced through the Alcoa contract, the Group's control over alumina sourcing rose to approximately 900,000 tonnes per annum.

For the aluminium fabrication business, the Group contributed a further of RMB98,800,000 to the capital of North China Aluminium Company Limited ("NCA"). Registration procedures were completed and the Group's equity stake in NCA was increased to 72.8%. Additional capital will fund the construction of "1850mm Super-thin, Wide and Compound Aluminium Foil Production Line Project". Overall construction progresses smoothly. It is expected that the construction will be completed by the first half of 2009 and production will commence during the fourth quarter of 2009. Its annual aluminium fabrication capacity will be increased by 25,000 tonnes to 105,000 tonnes by then.

Regarding the Group's project for exploration of bauxite mine and establishment of alumina refining facility in Jamaica, the first stage of the full feasibility study has been completed and progress schedule is currently under review. This had laid a solid foundation for future development. In light of the adverse and sustained volatile market conditions, the Group withdrew from the transaction in connection with the acquisition of 20% equity interest in Qinghai Province Investment Group Limited. The entire amount of the refund had been received.

For the copper fabrication business, the Group's 36%-owned jointly-controlled company, Changzhou Jinyuan Copper Company Limited ("Changzhou Jinyuan"), is constructing an advanced copper rod production line with a 300,000-tonne annual production capacity in order to improve product quality and expand market share. The total investment of the project will be approximately RMB200,000,000. Construction of the new facilities is expected to be completed by the end of 2010, and operation will commence by then. The Group has changed its accounting policy for its interest in Changzhou Jinyuan from proportionate consolidation to equity method of accounting from 1 January 2008.

Amid depressed global economy and capital markets during the year under review, the Company had carried out share buybacks in view of the fact that its share price had been at a deep discount to net asset value per share. This serves to enhance earnings and net asset value per share by reasonably increasing leveraging and debt-to-equity ratio.

Chairman's Statement

During the year, the Group implemented several initiatives regarding management controls, risk management and financial information integration. Prominent success had been achieved in improving operation and investment risk management, internal controls, timeliness and accuracy of financial data as well as employee cohesiveness to underpin long-term development. The strategies of Minmetals Resources include the following: we will continue riding on alumina and aluminium ingot trading business and our competitive edges to expedite integration by expanding resources and fabrication segments in the business supply chain; we will cultivate new investment projects and profit growth drivers by developing businesses which the Group has profound niches and distinct competitiveness; by capitalising on its status as China Minmetals Corporation's overseas platform for non-ferrous metals businesses, we will gradually develop into an international metals and mining conglomerate.

On behalf of the Board of Directors, I would like to express my sincere thanks to our shareholders and others for their unfailing support and to our employees for their dedication. Looking forward, global economic environment is expected to remain difficult. The management of Minmetals Resources will unflinchingly work step-by-step towards the long-term goals in accordance with the predetermined strategies. This means we will continue to grasp investment and acquisition opportunities, enhance business supply chain and the Company's core competitiveness for creating shareholder value and return.

ZHOU Zhongshu
Chairman

Hong Kong, 31 March 2009

Management Discussion and Analysis

OVERVIEW

The global economic downturn as a result of the financial tsunami in the second-half of 2008 caused a sharp fall in the prices of aluminium and alumina. This, combined with the upsurge of cost of imported alumina as a result of the climbing global energy prices in the first three quarters of the year, severely affected the business performance of the Group in 2008. Despite this difficult situation, the Group completed the acquisition of 33% stake in Guangxi Huayin Aluminium Company Limited ("Guangxi Huayin") and increased its equity stake in North China Aluminum Company Limited ("NCA") to 72.8%. These moves of diversifying itself into up-stream and down-stream operations would make the Group less vulnerable to the risk of commodity cycle.

The Group recorded consolidated revenue of HK$8,450.3 million for the year ended 31 December 2008, representing a 15.2% year-on-year increase. However, because of margin erosion, write-down of inventories as well as the non-cash impairment provision for alumina purchasing rights, the profit attributable to equity holders of the Company declined from HK$845.7 million in 2007 to HK$12.5 million in 2008.

FINANCIAL REVIEW

Changes in accounting policies

The Group has changed its accounting policy on jointly-controlled companies from proportionate consolidation to equity method for accounting periods beginning on or after 1 January 2008. This new accounting policy has been applied retrospectively and certain comparative figures for 2007 are restated accordingly. However, such change would not have any impact on the Group's consolidated net assets as at 31 December 2008 and 2007 and the Group's consolidated net profit as well as the basic and diluted earnings per share for the years ended 31 December 2008 and 2007. For further details, please refer to Note 2.2 in the Notes to the consolidated financial statements.

Management Discussion and Analysis

FINANCIAL REVIEW *(cont'd)*

Revenue

	2008	2007	**Increase**	
	HK$ million	*HK$ million*	*HK$ million*	%
Trading	**6,310.4**	5,373.0	937.4	17.4
Aluminium fabrication	**1,875.9**	1,814.0	61.9	3.4
Other operations	**264.0**	150.2	113.8	75.8
Total external revenue	**8,450.3**	7,337.2	1,113.1	15.2

Despite the sustained decline in aluminium and alumina prices, the Group recorded 15.2% year-on-year revenue growth in 2008. Revenue from the Group's core operations, including trading and aluminium fabrication, increased 17.4% and 3.4% respectively. The improvement was mainly driven by sales volume growth. This reflects the Group's success in widening its procurement sources of alumina supply-in both international and the PRC markets, and expanding further into different segments along the aluminium business chain.

Gross profit

Due to the decrease in gross profit margin and a write-down of inventories of HK$142.7 million at the year-end of 2008, the Group's gross profit decreased from HK$859.8 million to HK$336.2 million. Overall gross profit margin reduced from 11.7% in 2007 to 4.0% in 2008, which was mainly due to the reduction in gross profit margin of the core businesses – trading of alumina and aluminium ingots as well as the write-down of inventories as mentioned above.

In 2008, the Group suffered pressure on both the sales and cost sides of its trading operation. The adverse factors include: (i) the disruption in production of certain PRC aluminium smelters – because of the snow storms in Southern China in early 2008 – has driven down the demand for alumina; (ii) market sentiment turned even more negative with the hit of the financial tsunami – oversupply continues to grow; and (iii) imported cost alumina remained high in most of the time throughout the year because of rising fuel costs. The downturn of energy prices, though substantial in the last few months of 2008, provided little immediate relief on the procurement cost for 2008.

Management Discussion and Analysis

FINANCIAL REVIEW *(cont'd)*

Selling expenses

During the year, the Group's selling expenses increased by 34.1% to HK$107.3 million (2007: HK$80.0 million). This was partly due to the growth in turnover and partly due to the escalating transportation charge and other logistics costs. Selling expenses to revenue ratio rose from 1.1% to 1.3%.

Administrative expenses

During the year, the Group's administrative expenses rose by 17.1% to HK$190.7 million (2007: HK$162.9 million). The increase was mainly due to: (i) legal and other professional fees incurred for the investment projects undertaken during the year; (ii) increased business expenses as a result of higher sales and production volume; and (iii) inflated labour and other running costs. Administrative expenses to revenue ratio increased from 2.2% to 2.3%.

Other income

The Group recorded other income of HK$31.3 million in 2008, as compared to HK$90.5 million in 2007. The difference was mainly attributable to a tax refund granted to the Group in 2007 as a result of its reinvestment in a PRC subsidiary.

Other gains – net

Other gains – net decreased from HK$158.9 million in 2007 to HK$57.2 million in 2008. The decrease in other gains – net was mainly attributable to: (i) a decrease in the net exchange gains from HK$120.3 million in 2007 to HK$67.2 million in 2008 as a result of the depreciation of Australian dollars and the slowing down of appreciation of Renminbi against other currencies; and (ii) net losses of HK$12.9 million were reported in respect of the realised gains/losses and mark-to-market fair value adjustments on aluminium forward/futures contracts in 2008, compared to the net gains of HK$31.0 million in 2007.

Finance costs – net

Finance costs – net decreased by HK$4.0 million to HK$24.6 million (2007: HK$28.6 million) in 2008. The decrease was mainly attributable to: (i) no interest on convertible bonds was recorded in 2008 (2007: HK$47.0 million) as the conversion of outstanding bonds had been completed in 2007; and (ii) decrease in interest income because of the reduction in interest rates as well as cash surplus in 2008.

Management Discussion and Analysis

FINANCIAL REVIEW *(cont'd)*

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

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

Jointly-controlled company	**Interest held**	**2008** ***HK$ million***	2007 *HK$ million*
Changzhou Jinyuan Copper Company Limited ("Changzhou Jinyuan")	36%	**(4.4)**	18.2
Guangxi Huayin	33%	**(33.6)**	-
Mincenco Limited ("Mincenco") (Note)	51%	**(17.5)**	(3.9)
Share of post-tax profits less losses of jointly-controlled companies		**(55.5)**	14.3

Note: In addition to the above share of losses, the Group also made a provision for the losses in Mincenco of HK$6.1 million (2007: HK$0.8 million).

Changzhou Jinyuan – Sales volume and revenues of copper rods and copper wires decreased by 3.7% and 7.9% respectively because of weakened demand and severe market competition. However, the most critical factor that caused the loss for 2008 was the significant decline in copper price near the year end, bringing a mark-to-market loss in respect of outstanding copper futures contracts, as opposite to a gain in 2007, to Changzhou Jinyuan.

Guangxi Huayin – Reported loss in 2008 because of write-down of inventories at the year end in response to the substantial decline in alumina price at that time.

Mincenco – No revenue was derived in 2008 since the Jamaican bauxite exploration and alumina refinery project was still in the exploration and feasibility study stage.

Share of post-tax profits less losses of associates

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

Associate	**Interest held**	**2008** ***HK$ million***	2007 *HK$ million*
Sino Nickel Pty Ltd ("Sino Nickel")	40%	**13.7**	30.8
Qingdao M.C. Packaging Limited ("Qingdao M.C.")	20%	**7.9**	3.4
Others		**0.9**	0.1
Share of post-tax profits less losses of associates		**22.5**	34.3

Management Discussion and Analysis

FINANCIAL REVIEW *(cont'd)*

Share of post-tax profits less losses of associates *(cont'd)*

Sino Nickel	–	Average selling price of nickel concentrate spiralled down by more than 30% compared to 2007 and trading profit margin also lowered than before.
Qingdao M.C.	–	Profit from aluminum cans production improved due to reduced raw material costs and sales growth.

SEGMENTAL ANALYSIS

Trading

In 2008, trading business accounted for 74.7% (2007: 73.2%) of the Group's external revenue and contributed HK$63.3 million (2007: HK$1,066.0 million) to the Group's operating profit. Alumina and aluminium ingots remained the major trading products for the year, representing about 73.6% (2007: 73.6%) and 26.4% (2007: 26.3%) respectively of the external revenue of this segment.

		2008	2007	**Increase/(Decrease)**	
					%
External revenue	(HK$ million)				
Alumina		**4,641.4**	3,954.5	686.9	17.4
Aluminium ingot		**1,666.3**	1,412.9	253.4	17.9
Others		**2.7**	5.6	(2.9)	(51.8)
Total		**6,310.4**	5,373.0	937.4	17.4
Sales volume	('000 tonnes)				
Alumina		**1,429.0**	1,128.0	301.0	26.7
Aluminium ingot		**101.5**	83.4	18.1	21.7
Average selling price	(HK$ per tonne)				
Alumina		**3,248**	3,506	(258)	(7.4)
Aluminium ingot		**16,420**	16,950	(530)	(3.1)
Segment result	(HK$ million)	**63.3**	1,066.0	(1,002.7)	(94.1)

Weakening demand and negative market sentiment posed significant challenge to the Group's trading business. Compared to 2007, the market price of alumina in the PRC experienced much volatile changes in 2008.

In 2007, alumina price rebounded to RMB3,600 per tonne in the first quarter after hitting a low level of RMB2,500 per tonne by end of 2006. Price then showed some ease back in the middle of the year. But in the last two months, price started to rise again and reached the level of about RMB4,200 to RMB4,500 per tonne.

Management Discussion and Analysis

SEGMENTAL ANALYSIS *(cont'd)*

Trading *(cont'd)*

In 2008, except in the first few months, alumina price showed a continuous slide throughout the year. Price began to lose its strength in the second quarter and dropped to about RMB3,900 per tonne at the quarter end. And in the next few months, price continued to decline and fall to about RMB2,900 per tonne in October. The situation went from bad to worse by the end of the year. Price plummeted even further to about RMB2,000 per tonne or lower amid the global financial crisis.

Despite the sustained decline in alumina price, the Group still managed to achieve revenue growth of 17.4% in its trading business. During the year, the Group leveraged on its competitive strengths in the imported alumina market and expanded into upstream operation. Through the acquisition of 33% interest in Guangxi Huayin, it has secured a stable and long-term supply of the PRC domestically-produced alumina and strengthened its market position. Therefore, the trade volume of alumina could still grow by 26.7% under the difficult market situation in 2008.

To further diversify risk and expand its customer network, the Group also engaged in tolling, sourcing and trading of aluminium ingots. Through the cooperation with aluminium smelters, the Group could be more flexible in meeting the customers' demand for alumina and aluminium ingots and thus enhanced its marketing capabilities. Trading volume of aluminium ingots increased 21.7% in 2008 when compared to 2007.

However, climbing global energy prices increased the cost of imported alumina as well as transportation cost. The downturn of these costs, which occurred in the last few months of the year, offered no great help to the overall result for 2008. At the year end of 2008, due to the drastic decline in the market prices of aluminium and alumina, the Group wrote down the aluminium and alumina stocks of this segment by approximately HK$130.4 million. Besides, a provision for impairment of alumina purchasing rights of HK$46.2 million, as opposite to a reversal of provision of HK$257.6 million in last year, was made in 2008. Significant decline in sales price, rising procurement cost, massive write-down of inventories and provision for impairment of alumina purchasing rights caused the contribution from the Group's trading segment decreased sharply by HK$1,002.7 million to HK$63.3 million in 2008.

Management Discussion and Analysis

SEGMENTAL ANALYSIS *(cont'd)*

Aluminium Fabrication

Aluminium fabrication accounted for 22.2% (2007: 24.7%) of the Group's external revenue and contributed HK$29.9 million (2007: HK$52.2 million) to the Group's operating profit in 2008. The Group operated its aluminium fabrication business through NCA, a subsidiary owned as to 72.8% by the Group as at 31 December 2008.

		2008	2007	**Increase/(Decrease)**	
					%
External revenue	(HK$ million)	**1,875.9**	1,814.0	61.9	3.4
Sales volume	('000 tonnes)	**78.4**	76.6	1.8	2.3
Segment result	(HK$ million)	**29.9**	52.2	(22.3)	(42.7)

As compared to 2007, sales volume and external sales revenue in this segment recorded a slight growth of 2.3% and 3.4% respectively. However, significant decline in aluminium price in the third quarter of 2008 severely undermined the growth momentum carried forward from the first-half of 2008.

In 2008, NCA strived to expand its market share in the aluminium foil stock and PS plate market. Improvement in product quality and reliability has gained widespread acceptance among different customers. Besides, NCA also spared no effort in optimising its product mix so as to maintain and improve its profit margin. However, surging operating costs, such as labour, repair and maintenance as well as research and development expenses, caused a drop in the contribution from this segment from HK$52.2 million in 2007 to HK$29.9 million in 2008.

The construction of a new aluminium foil production line is underway. It is anticipated that this new production line, which can enhance NCA's annual production capacity by 25,000 tonnes, can commence production in the last quarter of 2009.

Other Operations

This segment, which mainly included the production and sale of aluminium processing equipment, production and sale of plica tubes (flexible metals conduits) and port logistics services, accounted for 3.1% (2007: 2.0%) of the Group's external revenue and contributed HK$12.2 million (2007: HK$12.7 million) to the Group's operating profit in 2008.

Management Discussion and Analysis

OTHER FINANCIAL INFORMATION

Financial Resources and Liquidity

Notwithstanding the rapid downturn of the global economy and the volatile changes in the commodity market, the Group has maintained a healthy financial and liquidity position in 2008. During the year, total assets and shareholders' equity increased by 2.3% to HK$8,909.9 million and decreased by 3.4% to HK$6,092.1 million respectively. As at 31 December 2008, the Group's current ratio was 2.0 (2007: 3.1).

As at 31 December 2008, the Group was in a net cash position of HK$970.0 million, representing cash and bank deposits of HK$1,905.9 million less total borrowings of HK$935.9 million (comprising bank borrowings of HK$848.6 million and advances from banks for discounted bills of HK$87.3 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$1,905.9 million at 31 December 2008, were mainly denominated in Hong Kong dollars (14%), Renminbi (30%) and US dollars (55%).

As at 31 December 2008, the profile of the Group's bank borrowings was as follows:

(1) 44% were in Renminbi and 56% in US dollars;

(2) 28% were in fixed rates and 72% were in floating rates;

(3) 36% were repayable within 1 year, 12% were repayable between 1 and 2 years, 23% were repayable between 2 and 5 years and 29% were repayable after 5 years.

Material Acquisitions and Disposals

In mid-January 2008, the Group completed the acquisition of 16.31% interest in NCA, a non-wholly owned subsidiary of the Group engaging in the production of aluminium foils and extrusions, and increased its equity interest in NCA to 67.31%. Through a capital injection in September 2008, for which the Group contributed RMB98.8 million (equivalent to approximately HK$112.6 million) of cash, the Group's stake in NCA further increased to 72.8%.

By the end of April 2008, the Group completed the acquisition of 33% interest in Guangxi Huayin, a jointly-controlled company engaging in the production and sale of alumina and related products. The total cost for this acquisition was about RMB920.4 million (equivalent to approximately HK$1,012.5 million).

In light of the adverse and sustained volatile market conditions, the Company announced on 2 December 2008 the exit from the proposed investment in Qinghai Province Investment Group Limited ("Qinghai Investment"). Deposit of approximately US$28.7 million (equivalent to approximately HK$223.6 million) previously made by the Group to Qinghai Investment was refunded in December 2008.

Except for the above, there was no material acquisition or disposal of investments by the Group for the year ended 31 December 2008.

Management Discussion and Analysis

OTHER FINANCIAL INFORMATION *(cont'd)*

Significant Investments Held

Taking into account the additional shares acquired through the rights issue of shares made by Sino Gold Limited ("Sino Gold") in 2008, the Group held approximately 11.5 million shares in Sino Gold, with a carrying value of approximately HK$309.8 million as at 31 December 2008. Sino Gold is a gold mining company with a primary listing in Australia and a secondary listing in Hong Kong.

Contingent Liabilities

The Group had no material contingent liability as at 31 December 2008.

Capital Expenditure and Commitments

The Group incurred capital expenditure of approximately HK$158.5 million for year ended 31 December 2008, mainly related to the construction of a new aluminium foil production line and the upgrade of other production facilities.

The Group's capital commitments as at 31 December 2008 amounted to HK$283.0 million, which were mainly related to the construction of a new aluminium foils production line as well as the expansion of other production facilities in the Group's aluminium fabrication business.

Charge on Assets

As at 31 December 2008, the following assets of the Group were pledged to certain banks for the banking facilities granted to the Group:

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

(2) Certain property, plant and equipment, land use rights as well as inventories of the Group with a total carrying amount of approximately HK$476.2 million; and

(3) Bank deposits of approximately HK$38.2 million.

Management Discussion and Analysis

OTHER FINANCIAL INFORMATION *(cont'd)*

Risk Management

Set out below are the major risk areas that the Group may enter into derivative contracts from time to time to hedge against the risks.

(a) *Commodity price risk*

To mitigate the price risk of the commodity cycle that may cause to its trading and aluminium fabrication operations, the Group has entered into certain aluminium forward/futures contracts in 2008. As at 31 December 2008, the Group's long and short positions in aluminium forward/futures contracts amounted to approximately 10,040 tonnes and 7,625 tonnes respectively.

(b) *Interest rate risk*

To reduce the impact of interest rate fluctuations on its operation, the Group has arranged interest rate swaps to manage the interest rate risk of its floating-rate bank borrowings. The outstanding principal amount of the Group's interest rate swaps as at 31 December 2008 amounted to approximately HK$475.8 million.

(c) *Foreign exchange risk*

The Group's foreign exchange risk exposure primarily lies on its operations in Hong Kong, Mainland China and Australia. Given the exchange rate peg between Hong Kong dollars and United States dollars, it is not foreseen that the Group will be exposed to significant risk for transactions conducted in these two currencies. However, exchange rate fluctuations between Renminbi or Australian dollars and Hong Kong dollars or US dollars may affect the Group's performance and asset value. The Group had not entered into any derivative contracts to hedge against this risk for the year ended 31 December 2008.

Human Resources

At 31 December 2008, the Group's total headcount stood at approximately 2,414 (not including the employees of jointly-controlled companies and associates), of which 18 were based in Hong Kong, 12 were in Australia and the remaining ones were in Mainland China. The total staff costs, including the directors' emoluments, for the year ended 31 December 2008 amounted to HK$148.5 million.

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

Directors and Senior Management

DIRECTORS

Chairman

Mr. ZHOU Zhongshu, aged 56, was appointed as the chairman and a non-executive director of the Company in October 2005. Mr. Zhou is a member of remuneration committee of the Company. He is the president of China Minmetals Corporation ("China Minmetals"), the ultimate controlling shareholder of the Company and the chairman of China Minmetals Non-ferrous Metals Company Limited ("CMN"), the immediate controlling shareholder of the Company. Mr. Zhou is also the chairman of China Minmetals H.K. (Holdings) Limited ("Minmetals HK"), the chairman and a non-executive director of Minmetals Land Limited (a company listed on The Stock Exchange of Hong Kong Limited) and the chairman of Minmetals Development Co., Ltd. (a company listed on the Shanghai Stock Exchange). He has also served as a director of Peak Strategic Industries Limited, a subsidiary of the Company. Mr. Zhou 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 extensive experience in international trading and strategic investment and over twenty three years of experience in non-ferrous metals industry.

Vice Chairman

Mr. XU Huizhong, aged 51, was appointed as an executive director of the Company in April 2002 and has become the president of the Company in May 2002. Mr. Xu was re-designated as the vice chairman and a non-executive director of the Company in May 2008. He is an employee of China Minmetals. Mr. Xu has also served as a director of three subsidiaries and an associate of the Company. Mr. Xu graduated from the University of International Business and Economics in the PRC in 1979. He joined China Minmetals Group in 1979 and has been a qualified economist in the PRC since 1987. Prior to joining the Group, Mr. Xu held senior management positions with corporations engaged in international trading and property development in the PRC, Japan, and New Zealand for over twenty three years. Mr. Xu has extensive experience in international trading, property development and investment, investment strategies and corporate management.

Executive Directors

Mr. HAO Chuanfu, aged 42, was appointed as an executive director and the president of the Company in May 2008. Mr. Hao is a member of remuneration committee of the Company. He has also served as a director of a number of subsidiaries of the Company. Mr. Hao graduated from the University of International Business and Economics in the PRC with a degree of junior college in accounting in 1986. He is a certified public accountant in the PRC. Mr. Hao joined China Minmetals Group in 1986 and had been assigned to a number of departments and subsidiaries of China Minmetals, both in the PRC and overseas. In 1996, Mr. Hao was the section chief of the Finance Department of CMN. He subsequently became the assistant general manager of CMN in 1998 and was promoted as the deputy general manager in 1999. From 2000 to 2001, Mr. Hao was the assistant general manager of China National Nonferrous Metals Industry Trading Group Corporation. From 2001 to 2008, he was the general manager of Minmetals North-Europe AB. Mr. Hao has extensive experience in international business, financial management and corporate management.

Directors and Senior Management

DIRECTORS *(cont'd)*

Executive Directors *(cont'd)*

Mr. REN Suotang, aged 45, was appointed as an executive director and a vice president of the Company in September 2006. He has also served as a director of a number of subsidiaries and certain associates of the Company. 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 Group 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.

Non-executive Directors

Ms. SHEN Ling, aged 47, was appointed as a non-executive director of the Company in October 2005. She is the chief financial officer of China Minmetals. She has been a director of each of CMN and Minmetals HK 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 and a Master of Business Administration degree from Cheung Kong Graduate School of Business in the PRC. Ms. Shen joined the China Minmetals Group in 1987. She has over twenty three years of experience in accounting and corporate financial management.

Mr. ZONG Qingsheng, aged 49, was appointed as a non-executive director of the Company in October 2005. Mr. Zong is a member of audit committee of the Company. He is the assistant president and also the general manager of the investment management department of China Minmetals. He has been a director of each of CMN and Minmetals HK since 2004 and a director of each of Minmetals Development Co., Ltd. (a company listed on the Shanghai Stock Exchange) and Shenzhen SDG Information Co., Ltd. (a company listed on the Shenzhen Stock Exchange) since 2003. Mr. Zong 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 three years of experience in foreign trade, business management and investment.

Directors and Senior Management

DIRECTORS *(cont'd)*

Non-executive Directors *(cont'd)*

Mr. WANG Lixin, aged 41, 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 CMN. Mr. Wang has also served as a director of certain subsidiaries of the Company. 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 thirteen years of experience in foreign trade and corporate management, as well as five years of experience with government services.

Mr. CUI Hushan, aged 51, was appointed as a non-executive director of the Company in June 2007. Mr. Cui has been a director and deputy general manger of Minmetals HK since 2006. Mr. Cui holds a Master's degree in Law from the Renmin University of China in the PRC and a Master of Business Administration degree from the University of Texas at Arlington in the USA. He also obtained a Certificate for Senior Economist in International Business from the Ministry of Foreign Trade and Economics Cooperation in the PRC. He joined China Minmetals Group in 1988 and had been assigned to a number of departments and subsidiaries of China Minmetals. 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 78, was appointed as an independent non-executive director of the Company in September 2004 and tendered his resignation in May 2008. 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 the chairman of Capital Market Research Institute, an independent non-executive director of PetroChina 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. LI Dongsheng, aged 62, was appointed as an independent non-executive director of the Company in May 2008. He is also a member of each of the audit committee and remuneration committee of the Company. Mr. Li graduated from the Beijing Foreign Studies University in the PRC. He then further his studies at the Universite De Haute Bretagne in France. Mr. Li was the Secretary and subsequently became the Commercial Counsellor of the Chinese Embassies in Algeria, Switzerland, Senegal and Mauritius respectively, the Deputy Head and subsequently became the Head of Foreign Trade Administration Bureau under Ministry of Commerce, PRC (formerly known as Ministry of Foreign Trade and Economic Cooperation, PRC) and a Vice Governor of Hainan Province, PRC. He was also a Vice Minister of the State Administration for Industry and Commerce, PRC. Mr. Li is the president of China Advertising Association, a senior advisor to China Electronic Chamber of Commerce and an advisor to China Enterprises Investment Association. He is also a member of the Organizing Committee for the 29th Olympic Games and the vice chairman of the Paris Convention on the Protection of Industrial Property.

Mr. CHAN Wai Dune, aged 56, was appointed as an independent non-executive director of the Company in May 2002. He is a member of the audit committee and the chairman of the remuneration committee of the Company. Mr. Chan is also an independent non-executive director of five Hong Kong listed companies namely, Chaoyue Group Limited (formerly known as Graneagle Holdings Limited), Heng Xin China Holdings Limited (formerly known as Tiger Tech Holdings Limited), Jinheng Automotive Safety Technology Holdings Limited, Sam Woo Holdings Limited and Welling Holding Limited (formerly known as Hualing Holdings Limited). In the past year, he was an independent non-executive director of each of Chuang's China Investments Limited, Chuang's Consortium International Limited and Hunan Nonferrous Metals Corporation Limited. Mr. Chan has over twenty eight 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 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 55, was appointed as an independent non-executive director of the Company in June 2002. He is the chairman of the audit committee and a member of the remuneration committee of the Company. Mr. Ting is also a non-executive director of Chow Sang Sang Holdings International Limited, a listed company, and an independent non-executive director of six other 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).

Directors and Senior Management

SENIOR MANAGEMENT OF THE COMPANY

Mr. TANG Xiaojin, aged 47, 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. 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 five years of experience in the non-ferrous metals industry.

Mr. Mark Liu, aged 50, was appointed as the vice president of the Company in August 2008. He has also served as a director of two subsidiaries and one jointly controlled company of the Company. From 1981 to 1995, Mr. Liu held senior management positions in a commercial bank and an investment bank in Australia. He joined China Minmetals Group in 2001 and has been assigned to various senior management positions in Australia and the USA. Mr. Liu has extensive experience in banking and finance, international business and project development and management.

Mr. CHAN Chi Kong, Morison, aged 41, 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 39, joined the Group in February 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 sixteen years of experience in financial management and auditing.

Ms. LEUNG Suet Kam, Lucia, aged 47, is the company secretary of the Company. She joined the Group in September 1993. She holds a Bachelor's degree in Economics from the University of London, the United Kingdom and a Postgraduate Diploma in Corporate Administration from the City University of Hong Kong. She is a fellow member of The Institute of Chartered Secretaries and Administrators in the United Kingdom and a fellow member of the Hong Kong Institute of Chartered Secretaries. Ms. Leung has over 16 years of experience in company secretarial affairs and over 19 years of experience in administration.

Directors and Senior Management

SENIOR MANAGEMENT OF SUBSIDIARY COMPANIES

Mr. LI Liangang, aged 45, joined the Group in October 2005, is a director of Minmetals Aluminium Company Limited and a director and the president of Sino Mining International Limited, both are the subsidiaries of the Company. Mr. Li has also served as a director of certain subsidiaries of the Company. 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 twelve years of experience in the non-ferrous metals industry.

Mr. WANG Ji, aged 48, joined the Group in October 2005, is a director and the general manager of Minmetals Aluminium Company Limited, a subsidiary of the Company. Mr. Wang has also served as a director of two subsidiaries of the Company. He holds a Master of Business Administration degree from the University of International Business and Economics in the PRC in 2001. Mr. Wang joined the China Minmetals Group in 1994. He has over thirteen years of experience in foreign trade and corporate management.

Mr. WANG Xiaolei, aged 38, joined the Group in October 2005, is a director and the vice general manager of Minmetals Aluminium Company Limited, a subsidiary of the Company. Mr. Wang has also served as a director of certain subsidiaries of the Company. He is mainly responsible for sales and marketing of metal products and related work. 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 thirteen years of experience in the trading of metal products.

Mr. ZHAN Wei, aged 39, joined the Group in April 2007, is a director and the vice general manager of Minmetals Aluminium Company Limited, a subsidiary of the Company. Mr. Zhan has also served as a director of two subsidiaries of the Company. He holds a Bachelor's degree in Hindi language from the PLA University of Foreign Languages in the PRC and a Master's degree in National Defence Economics from the Postgraduate School of PLA University of National Defence in the PRC. Mr. Zhan joined the China Minmetals Group in 2000. He has over nine years of experience in corporate investment and management.

Mr. JIANG Shixiong, aged 46, 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 Master of Business Administration 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 four years of experience in foreign trade and corporate management.

Mr. MA Jianxiang, aged 54, 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 2008.

PRINCIPAL ACTIVITIES

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

An analysis of the Group's revenue by principal business and geographical segments, together with their respective contributions to profit from operations for the year ended 31 December 2008 is set out in Note 5 to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, sales to the five largest customers in aggregate accounted for less than 30% of the total sales of the Group.

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

	Percentage of the Group's Total Purchases
The largest supplier	11%
Five largest suppliers in aggregate	43%

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 suppliers.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2008 are set out in the consolidated income statement on page 47.

No interim dividend was declared during the year (2007: HK0.5 cent per share). The Board does not recommend the payment of a final dividend for the year ended 31 December 2008 (2007: HK2.5 cents per share).

Directors' Report

RESERVES

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

DISTRIBUTABLE RESERVES

Distributable reserves of the Company as at 31 December 2008, calculated under section 79B of the Hong Kong Companies Ordinance, amounted to approximately HK$471,826,000 (2007: HK$574,117,000).

PROPERTY, PLANT AND EQUIPMENT

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

BANK BORROWINGS

Particulars of bank borrowings of the Company and the Group as at 31 December 2008 are set out in Note 33 to the consolidated financial statements.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on pages 135 to 136 of this annual report.

SHARE CAPITAL

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

DONATIONS

Donations made by the Group during the year for charitable and community purposes amounted to approximately HK$1,469,000 (2007: HK$34,000).

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)*

Directors' Report

DIRECTORS *(cont'd)*

Vice Chairman

Mr. Xu Huizhong *(non-executive director)*	(Re-designated on 28 May 2008)

Executive Directors

Mr. Hao Chuanfu	(Appointed on 28 May 2008)
Mr. Ren Suotang	

Non-executive Directors

Ms. Shen Ling	
Mr. Zong Qingsheng	
Mr. Wang Lixin	(Re-designated on 1 January 2008)
Mr. Cui Hushan	

Independent Non-executive Directors

Mr. Liu Hongru	(Resigned on 18 May 2008)
Mr. Li Dongsheng	(Appointed on 18 May 2008)
Mr. Chan Wai Dune	
Mr. Ting Leung Huel, Stephen	

Mr. Wang Lixin was re-designated from an executive director to a non-executive director of the Company on 1 January 2008. In compliance with article 85 of the articles of association of the Company, Mr. Wang had retired and offered himself for re-election at the annual general meeting of the Company held on 14 May 2008 and was re-elected at the same meeting.

Mr. Liu Hongru resigned as an independent non-executive director of the Company on 18 May 2008. On the same date, Mr. Li Dongsheng was appointed as an independent non-executive director by the Board of the Company to fill a casual vacancy of the Board. In accordance with article 85 of the articles of association of the Company, Mr. Li will retire at the forthcoming annual general meeting of the Company and, being eligible, offer himself for re-election at the same meeting.

Mr. Xu Huizhong was re-designated from an executive director and the president to a non-executive director and the vice-chairman of the Company on 28 May 2008. On the same date, Mr. Hao Chuanfu was appointed as an executive director and the president by the Board of the Company to fill a casual vacancy of the Board. In accordance with article 85 of the articles of association of the Company, Mr. Xu and Mr. Hao will retire at the forthcoming annual general meeting of the Company and, being eligible, offer themselves for re-election at the same meeting.

In accordance with article 101 of the articles of association of the Company, Mr. Ren Suotang, Mr. Chan Wai Dune and Mr. Ting Leung Huel, Stephen 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' Report

DIRECTORS' SERVICE CONTRACTS

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

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

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

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

As at 31 December 2008, 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%
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 Scheme".

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. 2,029,104,799 shares) as at 31 December 2008.

Directors' Report

DIRECTORS' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES *(cont'd)*

Save as disclosed above, as at 31 December 2008, 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).

SHARE OPTION SCHEME

2004 Share Option Scheme

Pursuant to the share option scheme adopted by the Company on 28 May 2004 (the "2004 Share Option Scheme"), there were 18,600,000 options outstanding as at 31 December 2008.

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 1.94% of the issued share capital of the Company as at the date of this report.

Directors' Report

SHARE OPTION SCHEME *(cont'd)*

2004 Share Option Scheme *(cont'd)*

4. Maximum entitlement of each participant

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

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

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

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

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

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

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

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 SCHEME *(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 2008	Granted during the year	Exercised during the year	Cancelled during the year	Lapsed during the year	Balance as at 31 December 2008
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
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
Employees of the Group	18 April 2006 *(Note 1)*	2.725	18 April 2006 to 17 April 2009	8,500,000 *(Note 2)*	–	(500,000) *(Note 3)*	–	–	8,000,000
				19,100,000	–	(500,000)	–	–	18,600,000

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

3. The weighted average closing price of the shares of the Company immediately before the date on which the options were exercised was HK$4.35.

Directors' Report

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 2008, the following persons had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, which were recorded in the register required to be kept by the Company under Section 336 of the SFO:

Long position in the shares of the Company

Name	Capacity	Number of shares held	Approximate percentage of total number of issued shares *(Note 1)*
China Minmetals Corporation ("China Minmetals")	Interest of controlled corporations *(Notes 2 & 3)*	1,284,467,826	63.30%
China Minmetals Non-ferrous Metals Company Limited ("CMN")	Interest of controlled corporation *(Note 2)*	1,189,090,909	58.60%
Top Create Resources Limited ("Top Create")	Beneficial owner *(Note 2)*	1,189,090,909	58.60%

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. 2,029,104,799 shares) of the Company as at 31 December 2008.

2. Top Create is a wholly owned subsidiary of CMN which in turn is owned as to approximately 84.56% by China Minmetals. Accordingly, CMN and China Minmetals were by virtue of the SFO deemed to be interested in the 1,189,090,909 shares of HK$0.05 each of the Company held by Top Create as at 31 December 2008.

3. The interest in 1,284,467,826 shares of the Company held by China Minmetals also includes an interest in 95,376,917 shares of the Company held by Coppermine Resources Limited ("Coppermine"), representing approximately 4.70% in the issued shares capital of the Company as at 31 December 2008. Coppermine is a wholly owned subsidiary of China Minmetals H.K. (Holdings) Limited which in turn is a wholly owned subsidiary of China Minmetals. China Minmetals was therefore deemed, by virtue of the SFO, to have an interest in the shares in which Coppermine was interested.

Directors' Report

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY *(cont'd)*

Save as disclosed above, as at 31 December 2008, 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 2008, the Group had the following connected transactions, details of which are set out below:

1. On 18 March 2008, North China Aluminium Company Limited ("NCA"), a non-wholly owned subsidiary of the Company, entered into an agreement with Ershisanye Construction Group Co., Ltd. ("Ershisanye") pursuant to which NCA agreed to engage Ershisanye as the contractor for a construction project ("NCA Construction Agreement"). The actual amount paid/payable under the NCA Construction Agreement is approximately RMB31,479,000 (equivalent to approximately HK$35,257,000).

   As Ershisanye is owned as to 73.19% by China Minmetals, the ultimate controlling shareholder of the Company, Ershisanye is regarded as an associate of China Minmetals and therefore is a connected person of the Company under the Listing Rules. As such, the NCA Construction Agreement constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules.

2. On 18 March 2008, Zhuoshen Nonferrous Metals Plant & Equipment Co. Ltd. ("Zhuoshen"), a non-wholly owned subsidiary of NCA, entered into an agreement with Ershisanye pursuant to which Zhuoshen agreed to engage Ershisanye as the contractor for a construction project ("Zhuoshen Construction Agreement"). The actual amount paid/payable under the Zhuoshen Construction Agreement is approximately RMB10,379,000 (equivalent to approximately HK$11,624,000).

   As Ershisanye is owned as to 73.19% by China Minmetals, the ultimate controlling shareholder of the Company, Ershisanye is regarded as an associate of China Minmetals and therefore is a connected person of the Company under the Listing Rules. As such, Zhuoshen Construction Agreement constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules.

Directors' Report

CONNECTED TRANSACTIONS *(cont'd)*

3. During the period from January 2008 to September 2008, Minmetals Aluminium Company Limited ("Minmetals Aluminium"), a wholly owned subsidiary of the Company, entered into agreements with Minmetals Logistics & Forwarding Tianjian Company Limited ("Minmetals Tianjian") and Minmetals Warehouse Company Limited ("Minmetals Warehouse") respectively and NCA entered into an agreement with Minmetals Tianjian (collectively, the "2008 Logistics Agreements") for the provision of shipping, customs clearance, unloading, packaging and custody services (the "Services"). The actual aggregate consideration paid/payable under the 2008 Logistics Agreements is approximately RMB3,741,000 (equivalent to approximately HK$4,190,000).

   As Minmetals Tianjian and Minmetals Warehouse are the non-wholly owned subsidiaries of China Minmetals, the ultimate controlling shareholder of the Company, each of Minmetals Tianjian and Minmetals Warehouse is regarded as an associate of China Minmetals and therefore is a connected person of the Company under the Listing Rules. Accordingly, the 2008 Logistics Agreements constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS

During the year ended 31 December 2008, the Group had the following continuing connected transactions, details of which are set out below:

1. On 18 January 2008, Minmetals Aluminium (as seller) entered into an agreement (the "2008 Aluminium Agreement") with Suzhou Huameida Aluminium Co. Ltd. ("Suzhou Huameida") (as buyer) for the sale and purchase of an aggregate of approximately 5,000 tonnes of aluminium ingots for the period from 18 January 2008 to 31 December 2008. The aggregate consideration payable under the 2008 Aluminium Agreement when fully executed will not exceed the annual cap of RMB100,000,000 (equivalent to approximately HK$104,000,000). During the year, the total amount paid/payable to Minmetals Aluminium under the 2008 Aluminium Agreement is approximately RMB50,670,000 (equivalent to approximately HK$56,750,000).

   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. Accordingly, the 2008 Aluminium Agreement constitutes a continuing connected transaction for the Company under Chapter 14A of the Listing Rules.

2. On 31 October 2008, Minmetals Aluminium and NCA entered into a logistics services agreement with China Minmetals Logistics Group Co., Ltd. ("Minmetals Logistics") (the "2008 Minmetals Aluminium Master Agreement") and Minmetals Tianjian (the "2008 NCA Master Agreement") respectively pursuant to which Minmetals Logistics and Minmetals Tianjian agreed to provide Services to Minmetals Aluminium and NCA respectively for the a term of two years and three months commencing from 1 October 2008 till 31 December 2010. The aggregate consideration

Directors' Report

CONTINUING CONNECTED TRANSACTIONS *(cont'd)*

payable under the 2008 Minmetals Aluminium Master Agreement and the 2008 NCA Master Agreement for the three-month period ended 31 December 2008 when fully executed will not exceed the annual caps of RM2,250,000 (equivalent to approximately HK$2,453,000) and RMB1,000,000 (equivalent to approximately HK$1,090,000) respectively. During the period from 1 October 2008 to 31 December 2008, no transaction was made under the 2008 Minmetals Aluminium Master Agreement and the total amount paid/payable by NCA for the Services under the 2008 NCA Master Agreement is approximately RMB116,000 (equivalent to approximately HK$130,000).

As Minmetals Tianjian is a non-wholly owned subsidiary of China Minmetals, the ultimate controlling shareholder of the Company, Minmetals Tianjian is regarded as an associate of China Minmetals and therefore is a connected person of the Company under the Listing Rules. Accordingly, the transactions contemplated under the 2008 NCA Master Agreement constitute a continuing connected transaction for the Company under Chapter 14A of the Listing Rules.

The above continuing connected transactions for the year ended 31 December 2008 have been reviewed by the independent non-executive directors of the Company and confirmed that the continuing connected transactions have been entered into:

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

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

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

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

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

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

(c) the transactions in relation to the 2008 Aluminium Agreement and the 2008 NCA Master Agreement have not exceeded the respective annual caps as disclosed in the announcements of the Company dated 22 January 2008 and 6 November 2008 respectively.

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, the Company repurchased a total of 30,916,000 ordinary shares of HK$0.05 each of the Company on the Stock Exchange. The repurchases were effected by the Board for the enhancement of long-term shareholder value. Details of the repurchases are set out in Note 30 to the consolidated financial statements.

For all the shares repurchased in 2008, 30,116,000 shares were cancelled on delivery of share certificates during the year and the remaining 800,000 shares were cancelled on delivery of share certificates subsequent to the financial year. The premium paid and the expenses incurred for the shares repurchased and cancelled during the year, amounting to approximately HK$30,711,000 and approximately HK$162,000 respectively, were deducted from the retained profits.

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

EMOLUMENT POLICY

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

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

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

RETIREMENT SCHEMES

Details of the Group's retirement schemes are set out in Note 36 to the consolidated financial statements.

DIRECTORS AND SENIOR MANAGEMENT

Particulars of the directors and senior management of the Company are set out on pages 17 to 22 of this annual report.

Directors' Report

AUDITOR

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

CORPORATE GOVERNANCE REPORT

Details of the Corporate Governance Report are set out on pages 36 to 44 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
HAO Chuanfu
Executive Director and President

Hong Kong, 31 March 2009

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

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

The Company has complied with all the code provisions set out in the Code of Corporate Governance Practice (the "CG Code") in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited throughout the year ended 31 December 2008 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 2008.

BOARD OF DIRECTORS

Composition

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

Executive Directors

Mr. Hao Chuanfu
Mr. Ren Suotang

Non-executive Directors

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

Independent Non-executive Directors

Mr. Li Dongsheng
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 17 to 22 under the section headed "Directors and Senior Management" of this annual report.

Board meetings are held regularly at approximately quarterly intervals and also held on ad hoc basis as required by business needs. Regular Board meetings and ad hoc Board meetings are attended by a majority of the directors in person or through other electronic means of communication. In addition, special Board meetings are convened from time to time for the Board to discuss issues that require the Board's timely attention. Since the special Board meetings are concerned with the day-to-day management of the Company which often requires prompt decisions, usually only the executive Directors and senior management attend the meetings. During the year ended 31 December 2008, other than resolutions passed in writing by all the Directors, the Board held a total of eight regular and ad hoc Board meetings and a total of five special Board meetings.

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

Directors	*Notes*	**Number of regular and ad hoc Board meetings attended**	**Number of special Board meetings attended**
Executive Directors			
Mr. Hao Chuanfu	*(i) & (ii)*	3/(4)	5/(5)
Mr. Ren Suotang	*(i)*	7/(8)	5/(5)
Non-executive Directors			
Mr. Zhou Zhongshu *(Chairman)*		8/(8)	
Mr. Xu Huizhong *(Vice Chairman)*	*(iii)*	8/(8)	
Ms. Shen Ling		8/(8)	
Mr. Zong Qingsheng		8/(8)	
Mr. Wang Lixin	*(iv)*	8/(8)	
Mr. Cui Hushan		8/(8)	
Independent Non-executive Directors			
Mr. Liu Hongru	*(v)*	2/(2)	
Mr. Li Dongsheng	*(vi)*	5/(5)	
Mr. Chan Wai Dune		7/(8)	
Mr. Ting Leung Huel, Stephen		8/(8)	

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) Appointed as an executive Director and the president on 28 May 2008.

(iii) Re-designated from an executive Director and the president to the vice-chairman and a non-executive Director on 28 May 2008.

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

(v) Resigned as an independent non-executive Director on 18 May 2008.

(vi) Appointed as an independent non-executive Director on 18 May 2008.

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. Hao Chuanfu. The roles of the chairman of the Board and the president of the Company are segregated to ensure their respective independence, accountability and responsibility.

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

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 14 May 2008 due to ad hoc 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 provides adequate checks and balances to safeguard the interests of the Group and its shareholders. The Board consists of three independent non-executive Directors and 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 2008 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, a total of three meetings were held by the Board to discuss and recommend the nomination of one executive director namely, Mr. Hao Chuanfu, two non-executive directors namely, Mr. Xu Huizhong and Mr. Wang Lixin and one independent non-executive director namely, Mr. Li Dongsheng. All of them are nominated in order to fill the casual vacancies of the Board. Pursuant to article 85 of the articles of association of the Company, Mr. Wang Lixin, who was appointed prior to the annual general meeting of the Company held on 14 May 2008, had retired and was re-elected at the aforesaid meeting whereas Mr. Xu Huizhong, Mr. Hao Chuanfu and Mr Li Dongsheng, who were appointed subsequent to the aforesaid annual general meeting, will retire at the forthcoming annual general meeting of the Company and, being eligible, offer themselves for re-election at the same meeting.

Corporate Governance Report

BOARD OF DIRECTORS *(cont'd)*

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.

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. Li Dongsheng, Mr. Hao Chuanfu and Mr. Ting Leung Huel, Stephen.

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

During the year ended 31 December 2008, other than resolutions passed in writing by all the committee members, the remuneration committee held four meetings. The remuneration committee reviewed the remuneration policy of the Company and the remuneration of Directors and senior management and made recommendations to the Board.

Corporate Governance Report

THE BOARD COMMITTEES *(cont'd)*

Remuneration Committee *(cont'd)*

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

Members	*Notes*	**Number of meetings attended**
Executive Director		
Mr. Hao Chuanfu	*(i)*	1/(1)
Non-executive Director		
Mr. Zhou Zhongshu		4/(4)
Mr. Xu Huizhong	*(ii)*	3/(3)
Independent Non-executive Directors		
Mr. Liu Hongru	*(iii)*	1/(1)
Mr. Li Dongsheng	*(iv)*	3/(3)
Mr. Chan Wai Dune *(Chairman)*		3/(4)
Mr. Ting Leung Huel, Stephen		4/(4)

Notes:

(i) Appointed as member of the remuneration committee on 18 December 2008.

(ii) Resigned as member of the remuneration committee on 18 December 2008.

(iii) Resigned as member of the remuneration committee on 18 May 2008.

(iii) Appointed as member of the remuneration committee on 18 May 2008.

Audit Committee

The Company has established an audit committee on 2 July 1999. The audit committee comprises three independent non-executive Directors, namely Mr. Li Dongsheng, Mr. 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 2008, the audit committee held two meetings. The audit committee reviewed with the senior management and auditor of the Company the accounting policies and practices adopted by the Group and discussed auditing, the internal control system and financial reporting matters. It also reviewed the financial statements of the Company and the Company's annual and interim reports, the management letter from the auditor of the Company, the connected transactions and the continuing connected transactions entered into by the Group and the audit scope and fees for the year ended 31 December 2008.

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

Members	*Notes*	**Number of meetings attended**
Non-executive Director		
Mr. Zong Qingsheng		2/(2)
Independent Non-executive Directors		
Mr. Liu Hongru	*(i)*	1/(1)
Mr. Li Dongsheng	*(ii)*	1/(1)
Mr. Chan Wai Dune		2/(2)
Mr. Ting Leung Huel, Stephen *(Chairman)*		2/(2)

Notes:

(i) Resigned as member of the Audit committee on 18 May 2008.

(ii) Appointed as member of the Audit committee on 18 May 2008.

Corporate Governance Report

ACCOUNTABILITY AND AUDIT

Financial Reporting

The Directors acknowledge their responsibility for preparing all information and representations contained in the financial statements for the year ended 31 December 2008 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 2008, the Directors, having made appropriate enquiries, are not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Group's and the Company's ability to continue as a going concern. Accordingly, the Directors have prepared the financial statements on a going concern basis.

The statement of the auditor of the Company regarding their responsibilities on the financial statements is set out in the Independent Auditor's Report on pages 45 to 46 of this annual report.

Internal Controls

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

Auditor's Remuneration

An analysis of the remuneration of the Company's auditor, PricewaterhouseCoopers, for the year ended 31 December 2008 is set out as follows:

Services rendered	**Fee paid/payable**
	HK$'000
Audit services	3,170
Non-audit services	
– Services in connection with the Group's potential investment project	400
– Other services (including taxation services)	209
	3,779

Corporate Governance Report

COMMUNICATION WITH SHAREHOLDERS

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

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

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

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

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

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

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

Independent Auditor's Report

PRICEWATERHOUSECOOPERS

羅兵咸永道會計師事務所

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 47 to 134, which comprise the consolidated and company balance sheets as at 31 December 2008, 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 judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31 December 2008 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 2009

Consolidated Income Statement

	Note	Year ended 31 December 2008 HK$'000	2007 (Restated) HK$'000
Revenue	5	**8,450,300**	7,337,175
Cost of sales		**(8,114,099)**	(6,477,364)
Gross profit		**336,201**	859,811
Selling expenses		**(107,260)**	(79,963)
Administrative expenses		**(190,690)**	(162,852)
Other income	6	**31,309**	90,534
Other gains – net	6	**57,225**	158,936
(Provision for)/Reversal of provision for impairment of alumina purchasing rights	19	**(46,215)**	257,622
Fair value losses on convertible bonds		**–**	(182,032)
Operating profit	7	**80,570**	942,056
Finance costs – net	8	**(24,647)**	(28,622)
Share of post-tax profits less losses of jointly-controlled companies		**(55,543)**	14,311
Provision for losses in a jointly-controlled company		**(6,071)**	(817)
Share of post-tax profits less losses of associates		**22,474**	34,259
Profit before income tax		**16,783**	961,187
Income tax credit/(expense)	9	**3,623**	(99,373)
Profit for the year		**20,406**	861,814
Attributable to:			
Equity holders of the Company		**12,543**	845,658
Minority interest		**7,863**	16,156
		20,406	861,814
Earnings per share for profit attributable to equity holders of the Company	11		
– Basic		**HK0.61 cent**	HK45.3 cents
– Diluted		**HK0.61 cent**	HK45.1 cents
Dividends	12	**–**	61,525

The notes on pages 54 to 134 are an integral part of these financial statements.

Consolidated Balance Sheet

	Note	As at 31 December 2008 HK$'000	2007 (Restated) HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	15	**520,703**	483,566
Construction in progress	16	**103,639**	13,878
Investment properties	17	**13,110**	9,820
Land use rights	18	**9,303**	10,425
Alumina purchasing rights	19	**2,558,400**	2,745,755
Goodwill		**6,849**	–
Interests in jointly-controlled companies	21	**1,125,868**	117,136
Interests in associates	22	**89,247**	87,242
Long-term prepayments	27	**177,840**	32,100
Available-for-sale financial assets	23	**309,790**	476,084
Deferred income tax assets	24	**60,027**	15,401
		4,974,776	3,991,407
Current assets			
Inventories	25	**693,907**	744,747
Trade and bills receivables	26	**776,029**	625,235
Prepayments, deposits and other receivables	27	**538,385**	598,910
Amount due from a fellow subsidiary	41	**–**	249
Derivative financial instruments	28	**3,925**	13,913
Current income tax assets		**17,039**	–
Pledged bank deposits	29	**38,176**	40,591
Cash and cash equivalents	29	**1,867,712**	2,695,939
		3,935,173	4,719,584
Total assets		**8,909,949**	8,710,991
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	30	**101,455**	102,936
Reserves	31	**5,990,624**	6,205,156
		6,092,079	6,308,092
Minority interest		**193,134**	251,828
Total equity		**6,285,213**	6,559,920

Consolidated Balance Sheet

	Note	As at 31 December 2008 HK$'000	2007 (Restated) HK$'000
LIABILITIES			
Non-current liabilities			
Deferred income	32	**23,967**	25,064
Derivative financial instruments	28	**7,426**	11,563
Deferred income tax liabilities	24	**128,987**	132,227
Bank borrowings	33	**541,860**	475,799
		702,240	644,653
Current liabilities			
Trade and bills payables	35	**802,336**	766,053
Accruals, receipts in advance and other payables		**476,786**	429,067
Advances from banks for discounted bills		**87,297**	49,514
Amounts due to immediate holding company, fellow subsidiaries, a jointly-controlled company and an associate	41	**200,285**	8,148
Derivative financial instruments	28	**47,330**	5,612
Current income tax liabilities		**1,742**	26,172
Bank borrowings	33	**306,720**	221,852
		1,922,496	1,506,418
Total liabilities		**2,624,736**	2,151,071
Total equity and liabilities		**8,909,949**	8,710,991
Net current assets		**2,012,677**	3,213,166
Total assets less current liabilities		**6,987,453**	7,204,573

Hao Chuanfu
Executive Director and President

Ren Suotang
Executive Director and Vice President

The notes on pages 54 to 134 are an integral part of these financial statements.

Balance Sheet

		As at 31 December	
		2008	2007
	Note	***HK$'000***	*HK$'000*
ASSETS			
Non-current assets			
Property, plant and equipment	*15*	**3,547**	1,021
Investment properties	*17*	**10,890**	8,480
Interests in subsidiaries	*20*	**4,737,756**	2,837,263
		4,752,193	2,846,764
Current assets			
Other receivables		**14,490**	6,569
Loans to subsidiaries	*20*	**614,000**	1,347,000
Cash and cash equivalents	*29*	**346,513**	613,037
		975,003	1,966,606
Total assets		**5,727,196**	4,813,370
EQUITY			
Capital and reserves			
Share capital	*30*	**101,455**	102,936
Reserves	*31*	**4,555,370**	4,651,053
Total equity		**4,656,825**	4,753,989
LIABILITIES			
Non-current liability			
Amount due to a subsidiary	*20*	**1,001,556**	–
Current liabilities			
Other payables		**5,500**	4,843
Amounts due to subsidiaries	*20*	**63,315**	54,538
		68,815	59,381
Total liabilities		**1,070,371**	59,381
Total equity and liabilities		**5,727,196**	4,813,370
Net current assets		**906,188**	1,907,225
Total assets less current liabilities		**5,658,381**	4,753,989

Hao Chuanfu
Executive Director and President

Ren Suotang
Executive Director and Vice President

The notes on pages 54 to 134 are an integral part of these financial statements.

Consolidated Statement of Changes in Equity

	Attributable to equity holders of the Company														
	Share capital	Share premium	Capital reserve	Special capital reserve *(Note 31(e))*	General reserve	PRC statutory reserves	Exchange translation reserve	Available-for-sale financial assets reserve	Hedging reserve	Capital redemption reserve	Share options reserve	Retained profits	Sub-total	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$'000*	*HK$'000*	*HK$'000*
At 1 January 2008, as previously reported	102,936	3,939,662	48,380	69,084	15,600	222,024	74,887	345,861	(17,175)	-	19,810	1,487,023	6,308,092	251,828	6,559,920
Change in accounting policy for appropriation to PRC statutory reserves *(Note 2.2 (b))*	-	-	-	-	-	(42,140)	-	-	-	-	-	42,140	-	-	-
At 1 January 2008, as restated	102,936	3,939,662	48,380	69,084	15,600	179,884	74,887	345,861	(17,175)	-	19,810	1,529,163	6,308,092	251,828	6,559,920
Fair value losses on available-for-sale financial assets	-	-	-	-	-	-	-	(208,099)	-	-	-	-	(208,099)	-	(208,099)
Cash flow hedge	-	-	-	-	-	-	-	-	(10,232)	-	-	-	(10,232)	-	(10,232)
Currency translation differences	-	-	-	-	-	-	72,272	-	-	-	-	-	72,272	11,546	83,818
Net income/(losses) recognised directly in equity	-	-	-	-	-	-	72,272	(208,099)	(10,232)	-	-	-	(146,059)	11,546	(134,513)
Profit for the year	-	-	-	-	-	-	-	-	-	-	-	12,543	12,543	7,863	20,406
Total recognised income/(losses) for the year	-	-	-	-	-	-	72,272	(208,099)	(10,232)	-	-	12,543	(133,516)	19,409	(114,107)
Issue of shares under share option scheme	25	1,807	-	-	-	-	-	-	-	-	(469)	-	1,363	-	1,363
Repurchase of the Company's shares *(Note 30)*	(1,506)	-	-	-	-	-	-	-	-	1,506	-	(32,379)	(32,379)	-	(32,379)
Dividends paid	-	-	-	-	-	-	-	-	-	-	-	(51,481)	(51,481)	-	(51,481)
Dividends paid to minority shareholders	-	-	-	-	-	-	-	-	-	-	-	-	-	(6,564)	(6,564)
Transfer to reserve for the undertaking given by the Company *(Note 31(e))*	-	-	-	3,764	-	-	-	-	-	-	-	(3,764)	-	-	-
Acquisition of additional interest in a subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	-	(71,539)	(71,539)
Transfer to/(from) reserves	-	-	38,640	-	-	(32,280)	-	-	-	-	-	(6,360)	-	-	-
	(1,481)	1,807	38,640	3,764	-	(32,280)	-	-	-	1,506	(469)	(93,984)	(82,497)	(78,103)	(160,600)
At 31 December 2008	101,455	3,941,469	87,020	72,848	15,600	147,604	147,159	137,762	(27,407)	1,506	19,341	1,447,722	6,092,079	193,134	6,285,213

Consolidated Statement of Changes in Equity

	Attributable to equity holders of the Company														
	Share capital HK$'000	Share premium HK$'000	Capital reserve HK$'000	Special capital reserve *(Note 31(e))* HK$'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$'000	(Accumulated losses)/ Retained profits HK$'000	Sub-total HK$'000	Minority interest HK$'000	Total HK$'000
At 1 January 2007, as previously reported	85,722	3,503,362	48,380	125,374	15,600	160,358	51,025	320,710	818	-	21,662	(107,630)	4,225,381	220,206	4,445,587
Change in accounting policy for appropriation to PRC statutory reserves *(Note 2.2 (b))*	-	-	-	-	-	(14,686)	-	-	-	-	-	14,686	-	-	-
At 1 January 2007, as restated	85,722	3,503,362	48,380	125,374	15,600	145,672	51,025	320,710	818	-	21,662	(92,944)	4,225,381	220,206	4,445,587
Fair value gains on available-for-sale financial assets	-	-	-	-	-	-	-	25,151	-	-	-	-	25,151	-	25,151
Cash flow hedge	-	-	-	-	-	-	-	-	(17,993)	-	-	-	(17,993)	-	(17,993)
Currency translation differences	-	-	-	-	-	-	23,862	-	-	-	-	-	23,862	16,160	40,022
Net income/(losses) recognised directly in equity	-	-	-	-	-	-	23,862	25,151	(17,993)	-	-	-	31,020	16,160	47,180
Profit for the year	-	-	-	-	-	-	-	-	-	-	-	845,658	845,658	16,156	861,814
Total recognised income/(losses) for the year	-	-	-	-	-	-	23,862	25,151	(17,993)	-	-	845,658	876,678	32,316	908,994
Recognition of convertible bonds without the cash settlement option	-	-	-	-	-	-	-	-	-	360,478	-	-	360,478	-	360,478
Conversion of convertible bonds into the Company's shares	17,094	1,192,055	-	-	-	-	-	-	-	(360,478)	-	-	848,671	-	848,671
Dividends paid	-	-	-	-	-	-	-	-	-	-	-	(10,057)	(10,057)	-	(10,057)
Dividends paid to minority shareholders	-	-	-	-	-	-	-	-	-	-	-	-	-	(694)	(694)
Capital reorganisation *(Note 31(e))*	-	(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 equity-settled share based payment	-	-	-	-	-	-	-	-	-	-	401	-	401	-	401
Issue of shares under share option scheme	120	8,673	-	-	-	-	-	-	-	-	(2,253)	-	6,540	-	6,540
Transfer to PRC statutory reserves	-	-	-	-	-	34,212	-	-	-	-	-	(34,212)	-	-	-
	17,214	436,300	-	(56,290)	-	34,212	-	-	-	-	(1,852)	776,449	1,206,033	(694)	1,205,339
At 31 December 2007	102,936	3,939,662	48,380	69,084	15,600	179,884	74,887	345,861	(17,175)	-	19,810	1,529,163	6,308,092	251,828	6,559,920

The notes on pages 54 to 134 are an integral part of these financial statements.

Consolidated Cash Flow Statement

	Note	Year ended 31 December 2008 HK$'000	2007 (Restated) HK$'000
Cash flows from operating activities			
Net cash generated from operations	39	**512,855**	421,001
Interest paid		**(55,593)**	(67,278)
Income tax paid		**(85,972)**	(158,319)
Net cash generated from operating activities		**371,290**	195,404
Cash flows from investing activities			
Acquisition of a jointly-controlled company		**(1,012,482)**	–
Acquisition of additional interest in a subsidiary		**(78,388)**	–
Capital injection into a jointly-controlled company		**(17,550)**	(3,900)
Purchase of available-for-sale financial assets		**(41,805)**	–
Purchase of property, plant and equipment and land use rights		**(11,646)**	(8,825)
Additions to construction in progress		**(146,861)**	(14,892)
Proceeds from disposal of property, plant and equipment and investment properties	39	**133**	5,381
Proceeds from disposal of an associate		**–**	1,360
Dividends received from an associate		**1,969**	41
Dividends received from a jointly-controlled company		**11,889**	7,564
Interest received		**37,438**	84,823
Decrease/(Increase) in pledged bank deposits		**2,415**	(2,348)
Net cash (used in)/generated from investing activities		**(1,254,888)**	69,204
Cash flows from financing activities			
Proceeds from issuance of ordinary shares		**1,363**	6,540
Repurchase of the Company's shares		**(32,379)**	–
Net proceeds from new bank borrowings/ (repayments of bank borrowings)		**136,209**	(143,165)
Dividends paid to the Company's shareholders		**(51,481)**	(10,057)
Dividends paid to minority shareholders		**(6,564)**	(694)
Net cash generated from/(used in) financing activities		**47,148**	(147,376)
Net (decrease)/increase in cash and cash equivalents		**(836,450)**	117,232
Cash and cash equivalents at 1 January		**2,695,939**	2,572,534
Exchange gains on cash and bank balances		**8,223**	6,173
Cash and cash equivalents at 31 December		**1,867,712**	2,695,939
Analysis of balances of cash and cash equivalents			
Cash and bank balances		**1,867,712**	2,695,939

The notes on pages 54 to 134 are an integral part of these financial statements.

Notes to the Consolidated Financial Statements

1 GENERAL INFORMATION

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

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

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 2009.

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

The Group has adopted, for the first time, the following amendments and interpretations to existing standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are effective for the accounting period beginning on or after 1 January 2008. The adoption of these amendments and interpretations to existing standards has no material financial impact on the Group's results and financial position for the current or prior years.

Notes to the Consolidated Financial Statements

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

2.1 Basis of preparation *(cont'd)*

HKAS 39 and HKFRS 7 (Amendments)	Reclassification of Financial Assets
HK(IFRIC) – Int 11	HKFRS 2 – Group and Treasury Share Transactions
HK(IFRIC) – Int 12	Service Concession Arrangements
HK(IFRIC) – Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The following new/(revised) standards, amendments and interpretations to existing standards have been published and are mandatory for the Group to apply from the accounting periods beginning on or after 1 January 2009 or later periods, but the Group has not early adopted them:

HKAS 1 (Revised)	Presentation of Financial Statements[1]
HKAS 23 (Revised)	Borrowing Costs[1]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[2]
HKAS 32 (Amendment) and HKAS 1 (Amendment)	Puttable Financial Instruments and Obligations Arising on Liquidation[1]
HKAS 39 (Amendment)	Eligible Hedged Items[5]
HKFRS 1 (Amendment) and HKAS 27 (Amendment)	Cost of Investments in a Subsidiary, Jointly Controlled Entities or Associates[1]
HKFRS 2 (Amendment)	Share-Based Payment – Vesting Conditions and Cancellations[1]
HKFRS 3 (Revised)	Business Combinations[2]
HKFRS 7 (Amendment)	Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments[1]
HKFRS 8	Operating Segments[1]
HK(IFRIC) – Int 9 and HKAS 39 (Amendment)	Embedded Derivatives[6]
HK(IFRIC) – Int 13	Customer Loyalty Programmes[4]
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate[1]
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation[3]
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners[2]
HK(IFRIC) – Int 18	Transfers of Assets from Customers[5]

1 Effective for annual periods beginning on or after 1 January 2009
2 Effective for annual periods beginning on or after 1 July 2009
3 Effective for annual periods beginning on or after 1 October 2008
4 Effective for annual periods beginning on or after 1 July 2008
5 Effective for transfers of assets on or after 1 July 2009
6 Effective for annual periods ending on or after 30 June 2009

Apart from the above, the HKICPA has also issued improvements to HKFRS primarily with a view to remove inconsistencies and clarify wording. The amendments are primarily effective for annual periods beginning on or after 1 January 2009, with early application permitted. The Company does not expect adoption of the amendments to have a significant effect on the financial statements.

Notes to the Consolidated Financial Statements

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

2.2 Changes in accounting policies

(a) *Interests in jointly-controlled companies*

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

The change in accounting policy has been applied retrospectively. This would not have any impact on the consolidated net assets as at 31 December 2008 and 2007 and the consolidated net profit, basic and diluted earnings per share for the years ended 31 December 2008 and 2007. The adjustments for each financial statement line item as at 31 December 2007 and for the year ended 31 December 2007 are set out below.

Notes to the Consolidated Financial Statements

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

2.2 Changes in accounting policies *(cont'd)*

(a) Interests in jointly-controlled companies (cont'd)

Restatement of Consolidated Balance Sheet as at 31 December 2007

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

Notes to the Consolidated Financial Statements

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

2.2 Changes in accounting policies *(cont'd)*

(a) Interests in jointly-controlled companies (cont'd)

Restatement of Consolidated Balance Sheet as at 31 December 2007 *(cont'd)*

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

Notes to the Consolidated Financial Statements

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

2.2 Changes in accounting policies *(cont'd)*

(a) Interests in jointly-controlled companies (cont'd)

Restatement of Consolidated Income Statement for the Year Ended 31 December 2007

	As previously reported *HK$'000*	Effect of change *HK$'000*	As restated *HK$'000*
Revenue	10,504,622	(3,167,447)	7,337,175
Cost of sales	(9,569,107)	3,091,743	(6,477,364)
Gross profit	935,515	(75,704)	859,811
Selling expenses	(88,167)	8,204	(79,963)
Administrative expenses	(175,396)	12,544	(162,852)
Other income	90,534	–	90,534
Other gains – net	164,149	(5,213)	158,936
Reversal of provision for impairment of alumina purchasing rights	257,622	–	257,622
Fair value losses on convertible bonds	(182,032)	–	(182,032)
Operating profit	1,002,225	(60,169)	942,056
Finance costs – net	(63,909)	35,287	(28,622)
Share of post-tax profits less losses of jointly-controlled companies	–	14,311	14,311
Provision for losses in a jointly-controlled company	–	(817)	(817)
Share of post-tax profits less losses of associates	34,259	–	34,259
Profit before income tax	972,575	(11,388)	961,187
Income tax expense	(110,761)	11,388	(99,373)
Profit for the year	861,814	–	861,814
Attributable to:			
Equity holders of the Company	845,658	–	845,658
Minority interest	16,156	–	16,156
	861,814	–	861,814
Earnings per share for profit attributable to equity holders of the Company			
– Basic	HK45.3 cents	–	HK45.3 cents
– Diluted	HK45.1 cents	–	HK45.1 cents

Notes to the Consolidated Financial Statements

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

2.2 Changes in accounting policies *(cont'd)*

(a) Interests in jointly-controlled companies (cont'd)

Restatement of Consolidated Cash Flow Statement for the Year Ended 31 December 2007

	As previously reported *HK$'000*	Effect of change *HK$'000*	As restated *HK$'000*
Cash flows from operating activities			
Net cash generated from operations	319,849	101,152	421,001
Interest paid	(103,493)	36,215	(67,278)
Income tax paid	(162,929)	4,610	(158,319)
Net cash generated from operating activities	53,427	141,977	195,404
Cash flows from investing activities			
Capital injection into a jointly-controlled company	–	(3,900)	(3,900)
Purchase of property, plant and equipment and land use rights	(8,825)	–	(8,825)
Additions to construction in progress	(15,474)	582	(14,892)
Proceeds from disposal of property, plant and equipment and investment properties	5,363	18	5,381
Proceeds from disposal of an associate	1,360	–	1,360
Dividends received from an associate	41	–	41
Dividends received from a jointly-controlled company	–	7,564	7,564
Interest received	85,751	(928)	84,823
Increase in pledged bank deposits	(2,866)	518	(2,348)
Net cash generated from investing activities	65,350	3,854	69,204
Cash flows from financing activities			
Proceeds from issuance of ordinary shares	6,540	–	6,540
Net proceeds from new bank borrowings/(repayments of bank borrowings)	81,098	(224,263)	(143,165)
Dividends paid to the Company's shareholders	(10,057)	–	(10,057)
Dividends paid to minority shareholders	(694)	–	(694)
Net cash generated from/(used in) financing activities	76,887	(224,263)	(147,376)
Net increase in cash and cash equivalents	195,664	(78,432)	117,232
Cash and cash equivalents at 1 January	2,668,075	(95,541)	2,572,534
Exchange gains on cash and bank balances	16,631	(10,458)	6,173
Cash and cash equivalents at 31 December	2,880,370	(184,431)	2,695,939

Notes to the Consolidated Financial Statements

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

2.2 Changes in accounting policies *(cont'd)*

(a) Interests in jointly-controlled companies (cont'd)

The effect of the change in accounting policy on the major financial statement line items of the consolidated financial statements as at and for the year ended 31 December 2008 is as follows:

	Reported by using proportionate consolidation method *HK$'000*	Effect of change *HK$'000*	Reported by using equity method *HK$'000*
Interests in jointly-controlled companies	–	1,125,868	1,125,868
Other non-current assets	6,750,432	(2,901,524)	3,848,908
Current assets	5,298,863	(1,363,690)	3,935,173
Total assets	12,049,295	(3,139,346)	8,909,949
Non-current liabilities	1,395,328	(693,088)	702,240
Current liabilities	4,368,754	(2,446,258)	1,922,496
Total liabilities	5,764,082	(3,139,346)	2,624,736
Share capital	101,455	–	101,455
Reserves	5,990,624	–	5,990,624
Minority interest	193,134	–	193,134
Total equity	6,285,213	–	6,285,213
Total equity and liabilities	12,049,295	(3,139,346)	8,909,949
Revenue	12,126,669	(3,676,369)	8,450,300
Operating profit	132,377	(51,807)	80,570
Profit for the year	20,406	–	20,406
Profit attributable to equity holders of the Company	12,543	–	12,543
Earnings per share for profit attributable to equity holders of the Company			
– Basic	HK0.61 cent	–	HK0.61 cent
– Diluted	HK0.61 cent	–	HK0.61 cent

Notes to the Consolidated Financial Statements

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

2.2 Changes in accounting policies *(cont'd)*

(b) Appropriation to PRC statutory reserves

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

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

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

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

	2008 *HK$'000*	2007 *HK$'000*
At 1 January		
Decrease in PRC statutory reserves brought forward	42,140	14,686
Increase in retained profits brought forward	42,140	14,686
For the year ended 31 December 2007		
Decrease in appropriation to PRC statutory reserves		27,454

This change in accounting policy would not have any impact on the consolidated net assets as at 31 December 2008 and 2007 and the consolidated net profit, basic and diluted earnings per share for the years ended 31 December 2008 and 2007.

Notes to the Consolidated Financial Statements

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

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

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

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

(b) *Transactions with minority interests*

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

Notes to the Consolidated Financial Statements

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

2.3 Consolidation *(cont'd)*

(c) *Jointly-controlled companies*

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

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

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

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

(d) *Associates*

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment loss.

Notes to the Consolidated Financial Statements

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

2.3 Consolidation *(cont'd)*

(d) Associates (cont'd)

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

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

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

2.4 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.

2.5 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 and for the convenience of the readers of the financial statements, the consolidated financial statements are presented in Hong Kong 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 consolidated income statement.

Notes to the Consolidated Financial Statements

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

2.5 Foreign currency translation *(cont'd)*

(b) Transactions and balances (cont'd)

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

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

(c) Group companies

The results and financial position of all the group 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 consolidated income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing at the dates of the transactions, in which case income and expenses are translated at the 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 consolidated income statement as part of the gain or loss on sale.

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

Notes to the Consolidated Financial Statements

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

2.6 Property, plant and equipment

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

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

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are expensed in the consolidated income statement during the 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 periods of the leases
Plant and machinery	7-15 years
Office equipment	5-15 years
Furniture, fixtures and equipment	5-15 years
Motor vehicles	3-10 years

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

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

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

Notes to the Consolidated Financial Statements

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

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

2.8 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 jointly-controlled company at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is tested for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill 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.

2.9 Alumina purchasing rights

Alumina purchasing rights represent the rights to purchase pre-determined quantities of alumina from alumina suppliers over certain periods of time pursuant to the legal binding agreements entered into between the 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 Consolidated Financial Statements

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

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

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

2.11 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. The classification depends on the purpose for which the financial assets were acquired. Management determine the classification of its financial assets at initial recognition.

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

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

(b) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the 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 Consolidated Financial Statements

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

2.11 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 consolidated income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method.

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

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

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

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 Consolidated Financial Statements

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

2.11 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 profit or loss) is removed from equity and recognised in the consolidated income statement. Impairment losses recognised in the consolidated income statement on equity instruments are not reversed through the consolidated income statement.

2.12 Derivative financial instruments and hedging activities

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

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

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

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

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

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

Notes to the Consolidated Financial Statements

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

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

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

(b) *Cash flow hedge*

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

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

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

Notes to the Consolidated Financial Statements

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

2.12 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 consolidated income statement within other gains/(losses).

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

(d) Derivatives that do not qualify for hedge accounting

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

2.13 Financial guarantee contract

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

2.14 Inventories

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

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

Notes to the Consolidated Financial Statements

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

2.15 Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. 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 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 consolidated income statement.

2.16 Cash and cash equivalents

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

2.17 Share capital

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

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

2.18 Government grants

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

Notes to the Consolidated Financial Statements

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

2.19 Provisions and contingent liabilities

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

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

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

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

2.20 Borrowings

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

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

Notes to the Consolidated Financial Statements

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

2.21 Current and deferred income tax

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

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

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or 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 only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

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

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.

Notes to the Consolidated Financial Statements

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

2.23 Revenue recognition

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

(a) Sales of goods

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

(b) Servicing income

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

(c) Interest income

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

(d) Rental income

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

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 Consolidated 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 employees' salaries, subject to a certain ceiling. Under these plans, the Group has no legal or constructive obligation to make further payments once the required contributions have been paid. Contributions to these plans are expensed as incurred.

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

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

(c) *Share-based compensation*

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

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

Notes to the Consolidated Financial Statements

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

2.25 Leases

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

2.26 Dividend distribution

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

2.27 Comparatives

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

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks, including price risk, interest rate risk, foreign exchange risk, credit risk and liquidity risk. The Group's overall risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The use of financial derivative instruments 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.

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.

Notes to the Consolidated Financial Statements

3 FINANCIAL RISK MANAGEMENT *(cont'd)*

3.1 Financial risk factors *(cont'd)*

(a) Price risk

(i) Commodity price risk

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

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

	Increase/(decrease) in post-tax profit	
	2008	2007
	HK$'000	*HK$'000*
If aluminium forward/futures contract prices increased by 5%	**1,459**	(11,306)
If aluminium forward/futures contract prices decreased by 5%	**(1,459)**	11,306

(ii) Equity price risk

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

As at 31 December 2008, if the bid price of these listed securities had increased/(decreased) by 10% (2007: 10%) with all other variables held constant, post-tax profit for the year would remain unchanged (2007: remain unchanged) and equity holders' equity would have been HK$30,978,000 (2007: HK$47,609,000) higher/lower.

Notes to the Consolidated Financial Statements

3 FINANCIAL RISK MANAGEMENT *(cont'd)*

3.1 Financial risk factors *(cont'd)*

(b) Interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates and the Group has no significant interest-bearing assets except for 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 Group's bank borrowings are set out in Note 33.

The Group has policies to manage its interest rate risk to ensure there are no undue exposures to significant interest rate fluctuations. As such, the Group 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.

As at 31 December 2008, if the interest rate had increased/(decreased) by 50 basis points (2007: 50 basis points) with all other variables held constant, post-tax profit for the year (as a result of the change in interest expense for floating rate borrowings) would have no material changes (2007: no material changes) and equity (as a result of the change in fair value of cash flow hedge) would have been approximately HK$3,399,000 (2007: HK$5,777,000) higher/lower.

(c) Foreign exchange risk

The Group operates in Hong Kong, Mainland China and Australia and is exposed to foreign exchange risk primarily with respect to Renminbi ("RMB"), Australian dollars ("AUD") and the United States dollar ("USD"). Given the exchange rate peg between Hong Kong dollars ("HKD") and USD, it is not foreseen that the Group will be exposed to significant exchange rate risk for the transactions conducted in HKD or USD. However, exchange rate fluctuations between RMB or AUD and HKD or USD could affect the Group's performance and asset value.

As at 31 December 2008, if RMB had strengthened/weakened by 5% (2007: 5%) against HKD or USD and with all other variables held constant, post-tax profit for the year would have been approximately HK$18,197,000 (2007 (Restated): HK$52,038,000) higher/lower and equity would have been approximately HK$96,444,000 (2007 (Restated): HK$40,446,000) higher/lower.

Notes to the Consolidated Financial Statements

3 FINANCIAL RISK MANAGEMENT *(cont'd)*

3.1 Financial risk factors *(cont'd)*

(d) Credit risk

Credit risk of the Group arises primarily from: (i) trade and bills receivables, (ii) 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 make advance payments before delivery of goods. For the aluminium fabrication businesses, the relevant operating entities have control procedures in place to evaluate customers' credit standing on an ongoing basis. Slow-moving debts are regularly monitored with timely follow-up actions taken.

With diversified business operations and customer bases, the Group has no significant concentrations of credit risk with respect to a particular customer. Bills receivable, which are mostly drawn from reputable financial institutions, accounted for 76% (2007 (Restated): 83%) of the Group's trade and bills receivables as at 31 December 2008. The largest trade receivable and the five largest trade receivables accounted for 13% (2007 (Restated): 3%) and 16% (2007 (Restated): 10%) of the Group's trade and bills receivables as at 31 December 2008.

(ii) Prepayments, deposits and other receivables

As at 31 December 2008, the title of inventory and the shares of a supplier were held by the Group as collateral for a prepayment of HK$287,280,000 (2007: HK$167,704,000) made to this supplier for purchases of aluminium ingots.

(iii) Derivative financial instruments and bank deposits

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

Notes to the Consolidated 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 Group's financial liabilities and net-settled derivative financial liabilities based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the 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 2008					
Financial liabilities					
Trade and bills payables	**802,336**	**–**	**–**	**–**	**802,336**
Accruals, receipts in advance and other payables	**476,786**	**–**	**–**	**–**	**476,786**
Advances from banks for discounted bills	**87,297**	**–**	**–**	**–**	**87,297**
Amounts due to immediate holding company, fellow subsidiaries, a jointly-controlled company and an associate	**200,285**	**–**	**–**	**–**	**200,285**
Bank borrowings	**325,311**	**118,495**	**210,543**	**251,646**	**905,995**
	1,892,015	**118,495**	**210,543**	**251,646**	**2,472,699**
Derivative financial liabilities					
Net settled derivative financial instruments	**47,654**	**7,559**	**–**	**–**	**55,213**
At 31 December 2007, as restated					
Financial liabilities					
Trade and bills payables	766,053	–	–	–	766,053
Accruals, receipts in advance and other payables	429,067	–	–	–	429,067
Advances from banks for discounted bills	49,514	–	–	–	49,514
Amounts due to immediate holding company and a fellow subsidiary	8,148	–	–	–	8,148
Bank borrowings	248,966	61,481	184,315	325,971	820,733
	1,501,748	61,481	184,315	325,971	2,073,515
Derivative financial liabilities					
Net settled derivative financial instruments	5,837	9,711	3,043	–	18,591

Notes to the Consolidated 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/futures contracts is calculated by reference to current forward/futures aluminium prices for contracts with similar maturity profiles.

The nominal values less any credit adjustments for financial assets and liabilities with a maturity of less than one year are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments. The fair values of non-current bank borrowings equal their carrying amounts, as the impact of discounting is not significant.

Notes to the Consolidated 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 capital 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/repay debts.

The Group monitors capital by using gearing ratio. As the Group's was in a net cash position as at 31 December 2008 and 2007, gearing ratio (defined as total borrowings less cash and bank deposits divided by shareholders' equity) was not applicable.

	2008 *HK$'000*	2007 (Restated) *HK$'000*
Cash and cash equivalents	**1,867,712**	2,695,939
Pledged bank deposits	**38,176**	40,591
Less: Total borrowings *(Note)*	**(935,877)**	(747,165)
Net cash	**970,011**	1,989,365
Total equity	**6,285,213**	6,559,920

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

Notes to the Consolidated Financial Statements

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

(a) Estimated provision for impairment of alumina purchasing rights

Discounted cash flow techniques are used to estimate the recoverable amount of the alumina purchasing rights. Forecasted projections used in the discounted cash flow model 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.

(b) 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.

(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.

Notes to the Consolidated Financial Statements

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

(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.

(e) Estimated useful lives of plant and equipment

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

(f) Estimated impairment of goodwill

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

Notes to the Consolidated Financial Statements

5 SEGMENT INFORMATION

The Group is principally engaged in the trading of alumina and other non-ferrous metals, production and sale of aluminium foils and extrusions, aluminium processing equipment and plica tubes, and the provision of port logistics services.

(a) Primary reporting format – Business segments

At 31 December 2008, the Group's operations comprised the following major business segments:

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

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

Segment liabilities comprise operating liabilities. Unallocated liabilities mainly 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, including additions resulting from acquisitions through business combinations.

Notes to the Consolidated Financial Statements

5 SEGMENT INFORMATION *(cont'd)*

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

	Trading		Aluminium fabrication		Other operations		Corporate and others		Inter-segment elimination		Total	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007 (Restated)
	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	**6,310,402**	5,373,038	**1,875,915**	1,813,975	**263,983**	150,162	**–**	–	**–**	–	**8,450,300**	7,337,175
Inter-segment revenue	**667,931**	423,678	**–**	1,291	**17,071**	4,135	**–**	–	**(685,002)**	(429,104)	**–**	–
Revenue	**6,978,333**	5,796,716	**1,875,915**	1,815,266	**281,054**	154,297	**–**	–	**(685,002)**	(429,104)	**8,450,300**	7,337,175
Segment results	**63,255**	1,065,984	**29,865**	52,219	**12,230**	12,732	**(23,353)**	(6,847)	**(1,427)**	–	**80,570**	1,124,088
Fair value losses on convertible bonds											**–**	(182,032)
Finance costs – net											**(24,647)**	(28,622)
Share of post-tax profits less losses of jointly-controlled companies											**(55,543)**	14,311
Provision for losses in a jointly-controlled company											**(6,071)**	(817)
Share of post-tax profits less losses of associates											**22,474**	34,259
Income tax credit/(expense)											**3,623**	(99,373)
Profit for the year											**20,406**	861,814
Minority interest											**(7,863)**	(16,156)
Profit attributable to equity holders of the Company											**12,543**	845,658

Notes to the Consolidated Financial Statements

5 SEGMENT INFORMATION *(cont'd)*

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

	Trading		Aluminium fabrication		Other operations		Corporate and others		Total	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007 (Restated)
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Segment assets	4,722,711	5,539,885	1,425,018	1,269,337	550,636	318,798	609,613	887,108	7,307,978	8,015,128
Interests in jointly-controlled companies									1,125,868	117,136
Interests in associates									89,247	87,242
Available-for-sale financial assets									309,790	476,084
Deferred income tax assets									60,027	15,401
Current income tax assets									17,039	–
Total assets									8,909,949	8,710,991
Segment liabilities	1,311,771	1,073,087	737,566	642,171	432,638	275,301	12,032	2,113	2,494,007	1,992,672
Deferred income tax liabilities									128,987	132,227
Current income tax liabilities									1,742	26,172
Total liabilities									2,624,736	2,151,071
Capital expenditure	271	423	138,528	16,892	16,622	5,995	3,086	407	158,507	23,717
Depreciation of property, plant and equipment	470	387	59,388	58,704	1,911	1,182	487	654	62,256	60,927
Amortisation										
– Alumina purchasing rights	141,140	134,016	–	–	–	–	–	–	141,140	134,016
– Land use rights	–	10	1,756	1,669	17	5	–	–	1,773	1,684
Other major non-cash expenses/(income)										
– Provision for/(Reversal of provision for) impairment of alumina purchasing rights	46,215	(257,622)	–	–	–	–	–	–	46,215	(257,622)
– Write-down/(Reversal of write-down) of inventories	130,404	–	12,158	(5,284)	164	–	–	–	142,726	(5,284)

Notes to the Consolidated 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	
	2008	2007 (Restated)	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007 (Restated)
	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	**7,752,130**	6,819,441	**606,503**	8,201	**1,268**	4,368	**775,401**	934,269	**(685,002)**	(429,104)	**8,450,300**	7,337,175
Contribution to gross profit	**267,701**	868,375	**45,285**	859	**115**	225	**27,368**	(5,514)	**(4,268)**	(4,134)	**336,201**	859,811
Capital expenditure	**155,253**	23,195	**168**	114	**3,086**	408	**-**	-	**-**	-	**158,507**	23,717
Segment assets	**3,353,408**	3,768,514	**2,905,649**	3,318,622	**1,013,754**	879,383	**35,167**	48,609	**-**	-	**7,307,978**	8,015,128

Notes to the Consolidated Financial Statements

6 OTHER INCOME AND OTHER GAINS – NET

(a) Other income

	2008 HK$'000	2007 (Restated) HK$'000
Sales of by-products and other services income	**8,628**	6,702
Reversal of provision for impairment of receivables	**5,550**	4,767
– Trade and other receivables	**3,216**	3,640
– Amount due from an associate	**2,334**	1,127
Compensation received from customers for cancellation of contracts	**4,359**	–
Amortisation of deferred income *(Note 32)*	**2,688**	2,450
Government grant and tax refund on reinvestment in a PRC subsidiary	**2,642**	70,945
Rental income from investment properties	**615**	268
Reversal of provision for property tax and surcharges	**–**	2,037
Others	**6,827**	3,365
	31,309	90,534

(b) Other gains – net

	2008 HK$'000	2007 (Restated) HK$'000
Exchange gains – net	**67,205**	120,291
Net (losses)/gains on derivative financial instruments	**(12,897)**	34,680
– Aluminium forward/futures contracts	**(12,897)**	31,003
– Foreign exchange forward contracts	**–**	3,677
Fair value gains on investment properties	**3,188**	2,430
(Losses)/Gains on disposal of property, plant and equipment	**(168)**	75
Gains on disposal of investment properties	**–**	100
Gain on disposal of an associate	**–**	1,360
Others	**(103)**	–
	57,225	158,936

Notes to the Consolidated Financial Statements

7 OPERATING PROFIT

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

	2008 HK$'000	2007 (Restated) HK$'000
Cost of inventories	**7,787,986**	6,169,345
Employee benefit expense (including directors' emoluments)	**148,491**	116,567
Write-down/(Reversal of write-down) of inventories	**142,726**	(5,284)
Amortisation		
– Alumina purchasing rights	**141,140**	134,016
– Land use rights	**1,773**	1,684
Depreciation of property, plant and equipment	**62,256**	60,927
Operating lease rental on properties	**4,211**	4,020
Auditor's remuneration	**3,170**	2,300

8 FINANCE COSTS - NET

	2008 HK$'000	2007 (Restated) HK$'000
Finance costs		
– Interest on bank borrowings wholly repayable within five years	**(30,150)**	(19,332)
– Interest on bank borrowings not wholly repayable within five years	**(22,560)**	(34,769)
– Fair value losses on interest rate swaps	**(9,195)**	(10,793)
– Interest on convertible bonds wholly repayable within five years	**–**	(46,980)
	(61,905)	(111,874)
Finance income		
– Interest income	**37,258**	83,252
Finance costs - net	**(24,647)**	(28,622)

Notes to the Consolidated Financial Statements

9 INCOME TAX CREDIT/(EXPENSE)

No provision for Hong Kong profits tax has been made as the Group has tax losses brought forward to offset the assessable profit generated in Hong Kong for the year (2007: 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.

	2008	2007 (Restated)
	HK$'000	*HK$'000*
Current income tax expense		
PRC income tax	**(40,169)**	(118,326)
Overseas income tax	**(3,379)**	(1,619)
	(43,548)	(119,945)
Deferred income tax credit *(Note 24)*	**47,171**	20,572
Income tax credit/(expense)	**3,623**	(99,373)

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

	2008	2007 (Restated)
	HK$'000	*HK$'000*
Profit before income tax	**16,783**	961,187
Calculated at a taxation rate of 25% (2007: 33%)	**(4,196)**	(317,191)
Effect of change in taxation rate from 33% to 25%	**–**	37,041
Effect of different taxation rates in other countries	**1,355**	8,611
Effect of tax exemption	**1,062**	3,316
Income not subject to tax	**37,890**	215,236
Expenses not deductible for tax purposes	**(33,467)**	(46,617)
Utilisation of previously unrecognised tax losses	**979**	–
Overprovision in prior years	**–**	231
Income tax credit/(expense)	**3,623**	(99,373)

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

Notes to the Consolidated Financial Statements

10 (LOSS)/PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The loss attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of HK$14,667,000 (2007: profit of HK$631,871,000).

11 EARNINGS PER SHARE

(a) Basic

The calculation of basic earnings per share is based on the profit attributable to equity holders of the Company of approximately HK$12,543,000 (2007: HK$845,658,000) and the weighted average number of 2,053,676,690 ordinary shares (2007: 1,865,763,775 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.

	2008 *HK$'000*	2007 *HK$'000*
Profit attributable to equity holders of the Company	**12,543**	845,658

	Number of shares	Number of shares
Weighted average number of ordinary shares in issue	**2,053,676,690**	1,865,763,775
Add: Dilutive potential ordinary shares in respect of share options	**–**	7,919,253
Adjusted weighted average number of ordinary shares in issue	**2,053,676,690**	1,873,683,028
Diluted earnings per share	**HK0.61 cent**	HK45.1 cents

Notes to the Consolidated Financial Statements

12 DIVIDENDS

No interim dividend was paid (2007: HK$10,057,000) and the directors do not recommend the payment of final dividend for the year ended 31 December 2008 (2007: HK$51,468,000).

	2008 ***HK$'000***	2007 *HK$'000*
Interim dividend paid of nil (2007: HK0.5 cent) per ordinary share	–	10,057
Final dividend proposed of nil (2007: HK2.5 cents) per ordinary share	–	51,468
	–	61,525

13 EMPLOYEE BENEFIT EXPENSE, INCLUDING DIRECTORS' EMOLUMENTS

	2008 ***HK$'000***	2007 (Restated) *HK$'000*
Salaries and other benefits	**120,418**	87,634
Share-based payment in relation to the share options granted to directors and employees	–	401
Retirement scheme contributions *(Note 36)*	**13,945**	13,048
Social security costs	**14,128**	15,484
	148,491	116,567

Notes to the Consolidated Financial Statements

14 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

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

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

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 (i) *HK$'000*	Discretionary bonuses *HK$'000*	Total *HK$'000*
Mr. ZHOU Zhongshu	–	–	–	–	–
Mr. XU Huizhong	–	1,920	435	560	2,915
Mr. WANG Lixin	–	1,440	310	390	2,140
Mr. REN Suotang	–	1,200	337	330	1,867
Ms. SHEN Ling	100	–	–	30	130
Mr. ZHANG Shoulian *(f)*	100	–	–	30	130
Mr. LI Linhu *(g)*	42	–	–	–	42
Mr. ZONG Qingsheng	100	–	–	30	130
Mr. CUI Hushan *(h)*	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

Notes to the Consolidated Financial Statements

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

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

Note:

(a) Re-designated as the vice chairman and a non-executive director on 28 May 2008.
(b) Appointed as an executive director on 28 May 2008.
(c) Re-designated from an executive director to a non-executive director on 1 January 2008.
(d) Appointed on 18 May 2008.
(e) Resigned on 18 May 2008.
(f) Resigned on 1 January 2008.
(g) Resigned on 1 June 2007.
(h) Appointed on 1 June 2007.
(i) Other benefits include housing allowances and leave pay.

(b) Five highest-paid individuals

The five individuals whose emoluments were the highest in the Group for the year include three (2007: three) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining two (2007: two) individuals during the year are as follows:

	2008 **HK$'000**	2007 HK$'000
Basic salaries and other benefits	**1,878**	2,886
Housing allowances	**492**	307
Bonuses	**550**	–
	2,920	3,193

The emoluments fell within the following bands:

	Number of individuals **2008**	2007
HK$1,000,001-HK$1,500,000	**1**	1
HK$1,500,001-HK$2,000,000	**1**	–
HK$2,000,001-HK$2,500,000	**–**	1
	2	2

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

Notes to the Consolidated Financial Statements

15 PROPERTY, PLANT AND EQUIPMENT

(a) The Group

	Buildings HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Office equipment HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
At 1 January 2007, as restated							
Cost or valuation	170,431	1,208	769,753	12,251	15,268	20,992	989,903
Accumulated depreciation and impairment	(58,303)	(1,084)	(399,058)	(6,322)	(12,349)	(14,698)	(491,814)
Net book amount	112,128	124	370,695	5,929	2,919	6,294	498,089
Year ended 31 December 2007, as restated							
Opening net book amount	112,128	124	370,695	5,929	2,919	6,294	498,089
Exchange differences	7,883	4	25,897	368	159	460	34,771
Additions	661	42	4,263	2,776	286	737	8,765
Transfer from construction in progress *(Note 16)*	151	–	3,991	1,732	–	–	5,874
Disposals *(Note 39)*	(492)	–	(2,221)	–	–	(293)	(3,006)
Depreciation	(6,668)	(76)	(49,929)	(1,752)	(613)	(1,889)	(60,927)
Closing net book amount	113,663	94	352,696	9,053	2,751	5,309	483,566
At 31 December 2007, as restated							
Cost or valuation	182,563	1,259	828,307	15,349	16,531	22,037	1,066,046
Accumulated depreciation and impairment	(68,900)	(1,165)	(475,611)	(6,296)	(13,780)	(16,728)	(582,480)
Net book amount	113,663	94	352,696	9,053	2,751	5,309	483,566
Year ended 31 December 2008							
Opening net book amount	**113,663**	**94**	**352,696**	**9,053**	**2,751**	**5,309**	**483,566**
Exchange differences	**7,345**	**14**	**22,118**	**413**	**128**	**28**	**30,046**
Additions	**–**	**2,227**	**3,626**	**4,070**	**1,354**	**363**	**11,640**
Transfer from construction in progress *(Note 16)*	**1,392**	**–**	**54,758**	**1,858**	**–**	**–**	**58,008**
Disposals *(Note 39)*	**–**	**(50)**	**(63)**	**(38)**	**(22)**	**(128)**	**(301)**
Depreciation	**(6,806)**	**(30)**	**(50,865)**	**(2,180)**	**(669)**	**(1,706)**	**(62,256)**
Closing net book amount	**115,594**	**2,255**	**382,270**	**13,176**	**3,542**	**3,866**	**520,703**

Notes to the Consolidated Financial Statements

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

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

	Buildings	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 31 December 2008							
Cost or valuation	195,882	3,125	940,501	21,306	18,616	20,165	1,199,595
Accumulated depreciation and impairment	(80,288)	(870)	(558,231)	(8,130)	(15,074)	(16,299)	(678,892)
Net book amount	115,594	2,255	382,270	13,176	3,542	3,866	520,703

The analysis of the cost or valuation at 31 December 2008 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	195,441	3,125	940,501	21,306	18,616	20,165	1,199,154
At valuation-1994	441	–	–	–	–	–	441
	195,882	3,125	940,501	21,306	18,616	20,165	1,199,595

The analysis of the cost or valuation at 31 December 2007 (restated) 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	182,122	1,259	828,307	15,349	16,531	22,037	1,065,605
At valuation-1994	441	–	–	–	–	–	441
	182,563	1,259	828,307	15,349	16,531	22,037	1,066,046

Notes to the Consolidated Financial Statements

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

(b) The Company

	Buildings HK$'000	Leasehold improve-ments HK$'000	Furniture, fixtures & equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
At 1 January 2007					
Cost or valuation	441	1,124	951	2,579	5,095
Accumulated depreciation	(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	(170)	(1,109)	(736)	(1,549)	(3,564)
Net book amount	271	56	382	312	1,021
Year ended 31 December 2008					
Opening net book amount	**271**	**56**	**382**	**312**	**1,021**
Additions	**–**	**2,227**	**859**	**–**	**3,086**
Disposals	**–**	**(50)**	**(24)**	**–**	**(74)**
Depreciation	**(9)**	**(19)**	**(173)**	**(285)**	**(486)**
Closing net book amount	**262**	**2,214**	**1,044**	**27**	**3,547**
At 31 December 2008					
Cost or valuation	**441**	**3,030**	**1,690**	**1,861**	**7,022**
Accumulated depreciation	**(179)**	**(816)**	**(646)**	**(1,834)**	**(3,475)**
Net book amount	**262**	**2,214**	**1,044**	**27**	**3,547**

Notes to the Consolidated Financial Statements

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

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

The analysis of the cost or valuation at 31 December 2008 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	**–**	**3,030**	**1,690**	**1,861**	**6,581**
At valuation-1994	**441**	**–**	**–**	**–**	**441**
	441	**3,030**	**1,690**	**1,861**	**7,022**

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

(c) Certain buildings with a carrying amount of HK$441,000 at 31 December 2008 (2007: HK$441,000) were revalued at 30 September 1994 on an open market value basis by an independent firm of registered professional surveyors and valuers. The Group has taken advantage of the transitional provisions set out in paragraph 80A of HKAS 16," Property, Plant and Equipment", with the effect that such buildings are stated at their revalued amounts, which were determined prior to 30 September 1995 and have not been updated to reflect their fair values at the balance sheet date.

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

	The Group		**The Company**	
	2008 *HK$'000*	2007 *HK$'000*	**2008** *HK$'000*	2007 *HK$'000*
Cost	**76**	76	**76**	76
Accumulated depreciation	**(20)**	(19)	**(20)**	(19)
	56	57	**56**	57

(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$310,534,000 (2007 (Restated): HK$346,237,000).

Notes to the Consolidated Financial Statements

16 CONSTRUCTION IN PROGRESS – THE GROUP

	2008	2007 (Restated)
	HK$'000	*HK$'000*
At 1 January	**13,878**	4,543
Exchange differences	**908**	317
Additions	**146,861**	14,892
Transfer to property, plant and equipment *(Note 15)*	**(58,008)**	(5,874)
At 31 December	**103,639**	13,878

17 INVESTMENT PROPERTIES

	The Group		**The Company**	
	2008	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
At 1 January	**9,820**	9,590	**8,480**	8,460
Exchange differences	**102**	–	**–**	–
Disposals *(Note 39)*	**–**	(2,200)	**–**	(2,200)
Fair value gains	**3,188**	2,430	**2,410**	2,220
At 31 December	**13,110**	9,820	**10,890**	8,480

A revaluation of investment properties was performed by RHL Appraisal Limited, an independent firm of registered professional surveyors and valuers, on 31 December 2008. 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 investment properties are located in the PRC and held on leases of between 10 to 50 years.

Notes to the Consolidated Financial Statements

18 LAND USE RIGHTS – THE GROUP

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

	2008	2007
		(Restated)
	HK$'000	*HK$'000*
At 1 January	**10,425**	11,261
Exchange differences	**645**	788
Additions	**6**	60
Amortisation of prepaid operating lease payments	**(1,773)**	(1,684)
At 31 December	**9,303**	10,425

Certain banking facilities of the Group are secured by the Group's land use rights for the carrying amount of approximately HK$8,940,000 (2007 (Restated): HK$10,069,000).

19 ALUMINA PURCHASING RIGHTS - THE GROUP

	2008	2007
	HK$'000	*HK$'000*
At 1 January		
Cost	**3,634,800**	3,634,800
Accumulated amortisation and impairment	**(889,045)**	(1,012,651)
Net book amount	**2,745,755**	2,622,149
Year ended 31 December		
Opening net book amount	**2,745,755**	2,622,149
Amortisation	**(141,140)**	(134,016)
(Provision for)/Reversal of provision for impairment	**(46,215)**	257,622
Closing net book amount	**2,558,400**	2,745,755
At 31 December		
Cost	**3,634,800**	3,634,800
Accumulated amortisation and impairment	**(1,076,400)**	(889,045)
Net book amount	**2,558,400**	2,745,755

Notes to the Consolidated Financial Statements

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

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

In view of the drastic decline in the aluminium and alumina market prices and the downturn in the world economy, the Group appointed an independent professional appraiser to perform a valuation of its alumina purchasing rights as at 31 December 2008. By reference to the valuation result, the Company's directors decided to make a provision for the impairment of the alumina purchasing rights of HK$46,215,000 for the year ended 31 December 2008 (2007: Reversal of provision of HK$257,622,000).

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

20 INTERESTS IN SUBSIDIARIES

	The Company	
	2008	2007
	HK$'000	*HK$'000*
Investments in subsidiaries		
Unlisted shares/investments at cost	**3,954,075**	2,179,317
Less: Provision for impairment in value	**(3,005)**	(13,194)
	3,951,070	2,166,123
Amounts due from subsidiaries *(Note (i))*	**1,759,028**	1,629,240
Less: Provision for impairment	**(972,342)**	(958,100)
	786,686	671,140
	4,737,756	2,837,263
Loans to subsidiaries *(Note (ii))*	**614,000**	1,347,000
Amounts due to subsidiaries *(Note (iii))*	**(1,064,871)**	(54,538)

Note:

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

(ii) Except for a loan of approximately HK$500,000,000 (2007: HK$740,000,000) as at 31 December 2008 which is interest free, the loans to subsidiaries are unsecured, bear interest at prevailing market interest rates and have repayment terms of less than one year.

(iii) Except for an amount due to a subsidiary of HK$1,001,556,000 (2007: Nil) which is not repayable within the next twelve months, the amounts due to subsidiaries are unsecured, interest-free and repayable on demand.

Notes to the Consolidated Financial Statements

20 INTERESTS IN SUBSIDIARIES *(cont'd)*

The following is a list of the principal subsidiaries as at 31 December 2008:

Name of company	Place of incorporation/ operation	Principal activities	Particulars of issued or paid up capital	Proportion of issued capital held by the Company Directly	Indirectly
Minmetals Aluminium Company Limited[2]	The PRC	Trading of alumina and other aluminium products	RMB1,780,000,000	100%	–
Sino Mining International Limited	Cayman Islands	Investment holding	115,000,000 shares of US$1 each [1]	–	100%
Sino Mining Alumina Limited	Cayman Islands	Purchase and supply of alumina	85,000,000 shares of US$1 each [1]	–	100%
Minmetals Resources Copper Company Limited	Hong Kong	Non-ferrous metals trading	28,800 shares of HK$100 each [1]	100%	–
Minmetals Resources 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]	The PRC	Production and sale of aluminium foils and extrusions	RMB478,100,000	–	72.8%
Yingkou Orienmet Plica Tube Company Limited [3]	The PRC	Production and sale of plica tubes	US$4,000,000	–	51%
Minmetals Non-ferrous Lianyungang Company Limited [2]	The PRC	Provision of logistics services	RMB1,000,000	–	100%

Note:

1 The class of shares held is ordinary.

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

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

Notes to the Consolidated Financial Statements

21 INTERESTS IN JOINTLY-CONTROLLED COMPANIES – THE GROUP

With effect from 1 January 2008, the Group changed to adopt equity method of accounting to account for its interests in jointly-controlled companies. Comparative figures for 2007 as set out below have been restated. For further details on the change in accounting policy, please refer to Note 2.2(a) to these consolidated financial statements.

	2008	2007
		(Restated)
	HK$'000	*HK$'000*
Share of net assets at 1 January	**117,136**	99,043
Share of jointly-controlled companies' results		
– (Loss)/profit before income tax	**(68,340)**	25,699
– Income tax credit/(expense)	**12,797**	(11,388)
	(55,543)	14,311
Capital injection into a jointly-controlled company	**17,550**	3,900
Acquisition of a jointly-controlled company *(Note 38)*	**796,040**	–
Exchange differences	**35,932**	7,446
Dividends received	**(11,889)**	(7,564)
	782,090	18,093
Share of net assets at 31 December	**899,226**	117,136
Goodwill arising from the acquisition of a jointly-controlled company *(Note 38)*	**216,442**	–
Exchange difference	**7,871**	–
	224,313	–
Amount due from a jointly-controlled company *(Note)*	**2,329**	–
Interests in jointly-controlled companies at 31 December	**1,125,868**	117,136

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

Notes to the Consolidated Financial Statements

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

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

Name	Country of incorporation	Assets HK$'000	Liabilities HK$'000	Revenues HK$'000	Profit/ (loss) HK$'000	Interest held
2008						
Changzhou Jinyuan Copper Company Limited [1]	The PRC	708,343	599,906	3,243,406	(4,395)	36%
Guangxi Huayin Aluminium Company Limited [2]	The PRC	3,396,089	2,605,300	644,184	(33,598)	33%
Mincenco Limited [3]	Jamaica	972	7,860	–	(17,550)	51%
		4,105,404	3,213,066	3,887,590	(55,543)	
2007						
Changzhou Jinyuan Copper Company Limited [1]	The PRC	1,129,971	1,012,835	3,167,447	18,211	36%
Mincenco Limited [3]	Jamaica	251	1,068	–	(3,900)	51%
		1,130,222	1,013,903	3,167,447	14,311	

Note:

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

2 Limited liability company incorporated under the PRC law.

3 Limited liability company incorporated in Jamaica.

The Company provided a corporate guarantee of RMB36,000,000 (equivalent to approximately HK$41,040,000) (2007: RMB36,000,000 (equivalent to approximately HK$38,520,000)) to a bank in respect of a banking facility granted to a jointly-controlled company.

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

In relation to the goodwill arising from the acquisition of a jointly-controlled company during the year ended 31 December 2008, the Group has performed an impairment test for goodwill in accordance with the accounting policy stated in Note 2.10.

Notes to the Consolidated Financial Statements

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

The recoverable amount of the investment in a jointly-controlled company, to which the goodwill relates, has been determined based on a value-in-use calculation. The calculation is based on a one-year budget. Key estimates were based on past performance, management's expectations on market development and the assumptions of no material change in the existing scope of business and business environment. Cash flows beyond the one year period are extrapolated for 10 years by reference to the aluminium futures prices or by assuming an annual growth rate of not more than 8%. The discount rate applied to the cash flow projection is 12% and it reflects specific risks relating to the jointly-controlled company.

The directors are of the opinion that there was no impairment of goodwill as at 31 December 2008.

22 INTERESTS IN ASSOCIATES - THE GROUP

	2008 ***HK$'000***	2007 *HK$'000*
Share of net assets at 1 January	**80,407**	40,601
Share of associates' results		
– Profit before income tax	**30,039**	47,459
– Income tax expense	**(7,565)**	(13,200)
	22,474	34,259
Exchange difference	**(15,180)**	5,588
Dividends received	**(1,969)**	(41)
	5,325	39,806
Share of net assets at 31 December	**85,732**	80,407
Amounts due from associates *(Note)*	**32,320**	32,989
Provision for impairment	**(28,805)**	(26,154)
	3,515	6,835
Interests in associates at 31 December	**89,247**	87,242

Note: The amounts due from associates are unsecured, interest-free and have no fixed repayment terms.

Notes to the Consolidated Financial Statements

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

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

Name	Country of incorporation	Assets *HK$'000*	Liabilities *HK$'000*	Revenues *HK$'000*	Profit *HK$'000*	Interest held
2008						
Qingdao M. C. Packaging Limited [1]	The PRC	48,791	26,429	69,302	7,921	20%
Sino Nickel Pty Ltd [2]	Australia	89,582	27,343	442,464	13,652	40%
2007						
Qingdao M. C. Packaging Limited [1]	The PRC	37,423	24,002	53,028	3,413	20%
Sino Nickel Pty Ltd [2]	Australia	127,389	61,097	736,205	30,780	40%

Note:

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

2 Limited liability company incorporated in Australia.

23 AVAILABLE-FOR-SALE FINANCIAL ASSETS – THE GROUP

	2008 ***HK$'000***	2007 *HK$'000*
At 1 January	**476,084**	450,933
Additions	**41,805**	–
Net fair value (losses)/gains transfer to equity *(Note 31)*	**(208,099)**	25,151
At 31 December	**309,790**	476,084

Available-for-sale financial assets represent:

	2008 ***HK$'000***	2007 *HK$'000*
Listed equity securities - Australia	**309,790**	476,084
Market value of listed securities	**309,790**	476,084

Notes to the Consolidated 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% (2007: 25%).

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

	Alumina purchasing rights		Write-down of inventories		Impairment of other assets		Others		Total	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007 (Restated)	**2008**	2007 (Restated)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
At 1 January	**(132,019)**	(183,783)	**-**	27,636	**16,874**	16,829	**(1,681)**	(372)	**(116,826)**	(139,690)
Exchange differences	**-**	-	**-**	575	**708**	1,479	**(13)**	238	**695**	2,292
Credited/(charged) to the income statement *(Note 9)*	**6,401**	51,764	**39,905**	(28,211)	**2,928**	(1,434)	**(2,063)**	(1,547)	**47,171**	20,572
At 31 December	**(125,618)**	(132,019)	**39,905**	-	**20,510**	16,874	**(3,757)**	(1,681)	**(68,960)**	(116,826)

(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$261 million (2007: HK$267 million) to carry forward against future taxable income. Deferred income tax assets for these tax losses are not recognised as the future realisation is uncertain. The tax losses do not expire under current tax legislation.

As at 31 December 2008, the deferred income tax assets in respect of the above tax losses which have not been recognised amounted to HK$43 million (2007: HK$47 million).

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

	2008	2007 (Restated)
	HK$'000	*HK$'000*
Deferred income tax assets	**60,027**	15,401
Deferred income tax liabilities	**(128,987)**	(132,227)
	(68,960)	(116,826)

Notes to the Consolidated Financial Statements

25 INVENTORIES – THE GROUP

	2008 HK$'000	2007 (Restated) HK$'000
Raw materials	**93,545**	50,780
Work in progress	**170,723**	124,887
Finished goods	**122,920**	92,399
Commodities held for sales	**306,719**	476,485
Goods-in-transit	**–**	196
	693,907	744,747

The cost of inventories recognised as expense and included in cost of sales amounted to HK$7,787,986,000 (2007 (Restated): HK$6,169,345,000). As at 31 December 2008, write-down of inventories of HK$142,726,000 (2007: reversal of write-down of HK$5,284,000) has been recognised in the consolidated income statement within cost of sales.

As at 31 December 2008, certain banking facilities of the Group were secured by the Group's inventories with a carrying amount of HK$156,750,000 (2007: Nil).

26 TRADE AND BILLS RECEIVABLES – THE GROUP

The majority of sales derived from trading operation are under the arrangement of delivery upon payment from customers, with the remaining amounts on letters of credit. For the aluminium fabrication and other industrial operations, sales are normally made with credit periods ranging from 30 to 90 days. The aging analysis of the trade receivables was as follows:

	2008		2007(Restated)	
	HK$'000	%	HK$'000	%
Trade receivables				
Less than 6 months	**175,754**	**76**	102,452	64
6 months - 1 year	**7,022**	**3**	3,743	2
Over 1 year	**48,317**	**21**	54,816	34
	231,093	**100**	161,011	100
Less: Provision for impairment of receivables	**(48,011)**		(57,472)	
Trade receivables - net	**183,082**		103,539	
Bills receivables *(Note)*	**592,947**		521,696	
	776,029		625,235	

Note: Bills receivable are with maturity of less than 6 months. As at 31 December 2008, approximately HK$527,562,000 (2007 (Restated): HK$366,887,000) of which were discounted to banks or endorsed to suppliers.

Notes to the Consolidated Financial Statements

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

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

	2008	2007
		(Restated)
	HK$'000	*HK$'000*
Renminbi	**673,677**	607,803
US dollars	**102,352**	17,432
	776,029	625,235

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

	2008	2007
		(Restated)
	HK$'000	*HK$'000*
At 1 January	**57,472**	64,253
Exchange difference	**1,659**	2,308
Reversal of provision for impairment of receivables	**(3,216)**	(3,640)
Receivables written off as uncollectible	**(7,904)**	(5,449)
At 31 December	**48,011**	57,472

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

	2008	2007
		(Restated)
	HK$'000	*HK$'000*
Less than 6 months	**281**	2,903
6 months - 1 year	**1,174**	174
1 - 2 years	**2,286**	1,219
Over 2 years	**44,270**	53,176
	48,011	57,472

Notes to the Consolidated Financial Statements

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

As at 31 December 2008, trade receivables of HK$18,383,000 (2007 (Restated): HK$7,369,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The aging analysis of these receivables is as follows:

	2008	2007 (Restated)
	HK$'000	*HK$'000*
Less than 3 months	**12,051**	3,751
3 – 6 months	**6,332**	3,618
	18,383	7,369

27 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES - THE GROUP

	2008	2007 (Restated)
	HK$'000	*HK$'000*
Deposits paid in relation to the proposed acquisition of equity interests in a subsidiary and an associate	**–**	233,903
Prepayments to suppliers for purchase of inventories	**512,214**	345,912
Prepayments for construction of plant and equipment	**57,561**	3,923
Other receivables	**137,502**	15,956
Other prepayments	**8,948**	31,316
	716,225	631,010
Less: Non-current portion of prepayments to suppliers for purchase of inventories	**(177,840)**	(32,100)
	538,385	598,910

28 DERIVATIVE FINANCIAL INSTRUMENTS - THE GROUP

	2008		2007 (Restated)	
	Assets	**Liabilities**	Assets	Liabilities
	HK$'000	***HK$'000***	*HK$'000*	*HK$'000*
Carried at fair value				
– Aluminium forward/ futures contracts	**3,925**	**27,349**	13,913	–
– Interest rate swaps	**–**	**27,407**	–	17,175
	3,925	**54,756**	13,913	17,175

Notes to the Consolidated Financial Statements

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

The derivative financial instruments are analysed as follows:

	2008		2007 (Restated)	
	Assets	**Liabilities**	Assets	Liabilities
	HK$'000	***HK$'000***	*HK$'000*	*HK$'000*
Non-current portion				
– Interest rate swaps	**–**	**7,426**	–	11,563
Current portion				
– Aluminium forward/ futures contracts	**3,925**	**27,349**	13,913	–
– Interest rate swaps	**–**	**19,981**	–	5,612
	3,925	**47,330**	13,913	5,612
Total	**3,925**	**54,756**	13,913	17,175

(a) Aluminium forward/futures contracts

The table below set out the details of the outstanding aluminium forward/futures contracts as at 31 December 2008 and 2007.

	2008		2007	
Contract type	**Buy**	**Sell**	Buy	Sell
Quantity (tonne)	**10,040**	**7,625**	–	13,000
Notional principal amount (HK$ million)	**161**	**108**	–	234

(b) Interest rate swaps

The total notional principal amount of the outstanding interest rate swaps as at 31 December 2008 was approximately HK$476 million (2007: HK$534 million).

As at 31 December 2008, the fixed interest rate was 5.325% (2007: 5.325%) per annum and the principal floating rate was 3-month London Interbank Offering Rate.

Notes to the Consolidated Financial Statements

29 CASH AND CASH EQUIVALENTS AND PLEDGED BANK DEPOSITS

	The Group		The Company	
	2008	2007 (Restated)	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Cash at bank and in hand	**1,458,506**	2,165,464	**75,160**	115,893
Short-term bank deposits	**409,206**	530,475	**271,353**	497,144
	1,867,712	2,695,939	**346,513**	613,037
Pledged bank deposits	**38,176**	40,591	**–**	–
	1,905,888	2,736,530	**346,513**	613,037

The effective interest rate on short-term bank deposits was 2.1% (2007: 4.0%). These deposits have an average maturity of 16 days (2007: 12 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	
	2008	2007 (Restated)	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Renminbi	**568,294**	1,501,818	**183**	117
US dollars	**1,045,191**	590,927	**88,425**	6,300
Hong Kong dollars	**258,113**	606,962	**257,905**	606,620
Australian dollars	**33,253**	36,823	**–**	–
Others	**1,037**	–	**–**	–
	1,905,888	2,736,530	**346,513**	613,037

Notes to the Consolidated Financial Statements

30 SHARE CAPITAL

	Number of shares		Ordinary shares	
	2008	2007	**2008**	2007
	(in thousand)	*(in thousand)*	***HK$'000***	*HK$'000*
Authorised:				
Ordinary shares of HK$0.05 each at 1 January and 31 December	**6,000,000**	6,000,000	**300,000**	300,000
Issued and fully paid:				
At 1 January	**2,058,721**	1,714,441	**102,936**	85,722
Shares repurchased and cancelled during the year	**(30,116)**	–	**(1,506)**	–
Issue of new shares under share option scheme	**500**	2,400	**25**	120
Conversion of convertible bonds into the Company's shares	**–**	341,880	**–**	17,094
At 31 December	**2,029,105**	2,058,721	**101,455**	102,936

In 2008, the Company repurchased 30,916,000 shares of its own shares from the market, of which 30,116,000 shares were cancelled during the year and the remaining 800,000 shares were cancelled subsequent to the balance sheet date. Pursuant to Section 49H of the Hong Kong Companies Ordinance, an amount equivalent to the nominal value of these repurchased and cancelled shares of HK$1,506,000 was transferred from retained profits to capital redemption reserve. The premium paid and the expenses incurred for the shares repurchased and cancelled during the year, amounting to HK$30,711,000 and HK$162,000 respectively, were deducted from the retained profits.

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

Month of repurchase	**Number of shares repurchased *(in thousand)***	**Highest price paid per share *HK$***	**Lowest price paid per share *HK$***	**Aggregate price paid *HK$'000***
September 2008	**13,416**	**1.57**	**1.10**	**17,995**
October 2008	**8,268**	**1.31**	**0.62**	**7,093**
November 2008	**6,032**	**0.88**	**0.67**	**4,699**
December 2008 *(Note)*	**3,200**	**1.13**	**0.90**	**3,301**
	30,916			**33,088**

Note: Included 800,000 repurchased shares cancelled subsequent to 31 December 2008.

Notes to the Consolidated Financial Statements

31 RESERVES

(a) The Group

	Share premium HK$'000	Capital reserve HK$'000	Special capital reserve *(Note (e))* 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	(Accumulated losses)/ Retained profits HK$'000	Total HK$'000
At 1 January 2007, as previously reported	3,503,362	48,380	125,374	15,600	160,358	51,025	320,710	818	–	21,662	(107,630)	4,139,659
Change in accounting policy for appropriation to PRC statutory reserves *(Note 2.2(b))*	–	–	–	–	(14,686)	–	–	–	–	–	14,686	–
At 1 January 2007, as restated	3,503,362	48,380	125,374	15,600	145,672	51,025	320,710	818	–	21,662	(92,944)	4,139,659
Fair value gains on available-for-sale financial assets *(Note 23)*	–	–	–	–	–	–	25,151	–	–	–	–	25,151
Cash flow hedge	–	–	–	–	–	–	–	(17,993)	–	–	–	(17,993)
Currency translation differences	–	–	–	–	–	23,862	–	–	–	–	–	23,862
Net income/(losses) recognised directly in equity	–	–	–	–	–	23,862	25,151	(17,993)	–	–	–	31,020
Profit for the year	–	–	–	–	–	–	–	–	–	–	845,658	845,658
Total recognised income/(losses) for the year	–	–	–	–	–	23,862	25,151	(17,993)	–	–	845,658	876,678
Recognition of convertible bonds without the cash settlement option	–	–	–	–	–	–	–	–	360,478	–	–	360,478
Conversion of convertible bonds into ordinary shares	1,192,055	–	–	–	–	–	–	–	(360,478)	–	–	831,577
Dividends paid	–	–	–	–	–	–	–	–	–	–	(10,057)	(10,057)
Capital reorganisation *(Note (e))*	(764,428)	–	(125,374)	–	–	–	–	–	–	–	889,802	–
Transfer to reserve for the undertaking given by the Company *(Note (e))*	–	–	69,084	–	–	–	–	–	–	–	(69,084)	–
Recognition of equity-settled share based payment	–	–	–	–	–	–	–	–	–	401	–	401
Issue of shares under share option scheme	8,673	–	–	–	–	–	–	–	–	(2,253)	–	6,420
Transfer to PRC statutory reserves	–	–	–	–	34,212	–	–	–	–	–	(34,212)	–
	436,300	–	(56,290)	–	34,212	–	–	–	–	(1,852)	776,449	1,188,819
At 31 December 2007	3,939,662	48,380	69,084	15,600	179,884	74,887	345,861	(17,175)	–	19,810	1,529,163	6,205,156

Notes to the Consolidated Financial Statements

31 RESERVES *(cont'd)*

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

	Share premium HK$'000	Capital reserve HK$'000	Special capital reserve *(Note (e))* HK$'000	General reserve HK$'000	PRC statutory reserves HK$'000	Exchange translation reserve HK$'000	Available-for-sale financial assets reserve HK$'000	Hedging reserve HK$'000	Capital redemption reserve HK$'000	Share options reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 January 2008, as previously reported	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
Change in accounting policy for appropriation to PRC statutory reserves *(Note 2.2(b))*	-	-	-	-	(42,140)	-	-	-	-	-	42,140	-
At 1 January 2008, as restated	3,939,662	48,380	69,084	15,600	179,884	74,887	345,861	(17,175)	-	19,810	1,529,163	6,205,156
Fair value losses on available-for-sale financial assets *(Note 23)*	-	-	-	-	-	-	(208,099)	-	-	-	-	(208,099)
Cash flow hedge	-	-	-	-	-	-	-	(10,232)	-	-	-	(10,232)
Currency translation differences	-	-	-	-	-	72,272	-	-	-	-	-	72,272
Net income/(losses) recognised directly in equity	-	-	-	-	-	72,272	(208,099)	(10,232)	-	-	-	(146,059)
Profit for the year	-	-	-	-	-	-	-	-	-	-	12,543	12,543
Total recognised income/(losses) for the year	-	-	-	-	-	72,272	(208,099)	(10,232)	-	-	12,543	(133,516)
Issue of shares under share option scheme	1,807	-	-	-	-	-	-	-	-	(469)	-	1,338
Repurchase of the Company's shares *(Note 30)*	-	-	-	-	-	-	-	-	1,506	-	(32,379)	(30,873)
Dividends paid	-	-	-	-	-	-	-	-	-	-	(51,481)	(51,481)
Transfer to reserve for the undertaking given by the Company *(Note (e))*	-	-	3,764	-	-	-	-	-	-	-	(3,764)	-
Transfer to/(from) reserves	-	38,640	-	-	(32,280)	-	-	-	-	-	(6,360)	-
	1,807	38,640	3,764	-	(32,280)	-	-	-	1,506	(469)	(93,984)	(81,016)
At 31 December 2008	3,941,469	87,020	72,848	15,600	147,604	147,159	137,762	(27,407)	1,506	19,341	1,447,722	5,990,624

Notes to the Consolidated Financial Statements

31 RESERVES *(cont'd)*

(b) The Company

	Share premium HK$'000	Capital reserve HK$'000	Special capital reserve *(Note (e))* HK$'000	Capital redemption reserve HK$'000	General reserve HK$'000	Share options reserve HK$'000	(Accumulated losses)/ Retained profits HK$'000	Total HK$'000
At 1 January 2007	3,503,362	48,380	125,374	–	15,600	21,662	(884,015)	2,830,363
Capital reorganisation *(Note (e))*	(764,428)	–	(125,374)	–	–	–	889,802	–
Transfer to reserve for the undertaking given by the Company *(Note (e))*	–	–	69,084	–	–	–	(69,084)	–
Recognition of equity-settled share based payment *(Note 37)*	–	–	–	–	–	401	–	401
Conversion of convertible bonds into ordinary shares	1,192,055	–	–	–	–	–	–	1,192,055
Issue of shares under share option scheme	8,673	–	–	–	–	(2,253)	–	6,420
Profit for the year	–	–	–	–	–	–	631,871	631,871
Dividends 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**
Issue of shares under share option scheme	**1,807**	**–**	**–**	**–**	**–**	**(469)**	**–**	**1,338**
Repurchase of the Company's shares	**–**	**–**	**–**	**1,506**	**–**	**–**	**(32,379)**	**(30,873)**
Transfer to reserve for the undertaking given by the Company *(Note (e))*	**–**	**–**	**3,764**	**–**	**–**	**–**	**(3,764)**	**–**
Loss for the year	**–**	**–**	**–**	**–**	**–**	**–**	**(14,667)**	**(14,667)**
Dividends paid	**–**	**–**	**–**	**–**	**–**	**–**	**(51,481)**	**(51,481)**
At 31 December 2008	**3,941,469**	**48,380**	**72,848**	**1,506**	**15,600**	**19,341**	**456,226**	**4,555,370**

Notes to the Consolidated Financial Statements

31 RESERVES *(cont'd)*

(c) Capital reserve represents the excess of consideration paid by Coppermine Resources Limited ("Coppermine"), the previous immediate holding company of the Company, over the nominal value of the new shares of the Company issued on 12 January 2004.

Pursuant to the resolution passed by the Company on 3 December 2003 and the subscription agreement signed between the Company and Coppermine, the Company issued 475,376,917 shares of HK$0.05 each to Coppermine on 12 January 2004 for a consideration of HK$418,331,000 (of which HK$23,768,000 was credited to share capital and HK$394,563,000 was credited to share premium account). The subscription consideration was settled by setting off the Company's debt of HK$466,711,000 acquired by Coppermine from the Company's bankers. The remaining portion of HK$48,380,000 was waived by Coppermine and credited to capital reserve account of the Company.

In 2008, North China Aluminium Company Limited, a non-wholly owned subsidiary in the PRC, utilised part of its PRC statutory reserves amounting to approximately HK$38,640,000 to increase its registered capital. Hence, a transfer of HK$38,640,000 from the PRC statutory reserves to capital reserve was made during the year ended 31 December 2008.

(d) 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.

Notes to the Consolidated Financial Statements

31 RESERVES *(cont'd)*

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

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

(ii) Any recovery in excess of the written down value of or the reversal of impairment loss in respect of certain investments in subsidiaries, listed securities, properties and loans or receivables of the Company as at 31 October 2006; and

(iii) An amount equal to the change in fair value in respect of certain share options not yet vested as at 31 October 2006.

The standing to the credit of the Special Reserve shall not be treated as realised profit. It shall be treated as an undistributable reserve of the Company for the purposes of Section 79C of the Hong Kong Companies Ordinance. For the year ended 31 December 2008, an amount of approximately HK$3,764,000 (2007: HK$69,084,000) was credited to the Company's special capital reserve in accordance with the Undertaking.

(f) At 31 December 2008, the aggregate amount of reserves available for distribution to shareholders of the Company was approximately HK$471,826,000 (2007: HK$574,117,000).

Notes to the Consolidated Financial Statements

32 DEFERRED INCOME – THE GROUP

	2008 HK$'000	2007 HK$'000
At 1 January	**25,064**	25,824
Exchange difference	**1,591**	1,690
Amortisation *(Note 6)*	**(2,688)**	(2,450)
At 31 December	**23,967**	25,064

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

33 BANK BORROWINGS – THE GROUP

	2008 HK$'000	2007 (Restated) HK$'000
Amount due within one year and included under current liabilities	**306,720**	221,852
Amount due after one year	**541,860**	475,799
Total bank borrowings	**848,580**	697,651
Analysed as:		
– Secured	**814,380**	682,671
– Unsecured	**34,200**	14,980
	848,580	697,651
Bank borrowings are repayable as follows:		
– Within 1 year	**306,720**	221,852
– Between 1 and 2 years	**105,487**	46,800
– Between 2 and 5 years	**194,573**	140,400
– Repayable within 5 years	**606,780**	409,052
– Over 5 years	**241,800**	288,599
	848,580	697,651

Notes to the Consolidated Financial Statements

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

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

	2008	2007 (Restated)
	HK$'000	*HK$'000*
Renminbi		
– at fixed rates	**235,980**	175,052
– at floating rates	**136,800**	–
	372,780	175,052
US dollars		
– at floating rates	**475,800**	522,599
	848,580	697,651

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

	2008		2007	
	US$	**RMB**	US$	RMB
Bank borrowings	**2.23%**	**7.63%**	5.81%	6.47%

As at 31 December 2008, the bank borrowings of the Group were secured by:

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

(ii) certain property, plant and equipment, land use rights and inventories of the Group with a total carrying amount of approximately HK$476,224,000 (2007 (Restated): HK$356,306,000); and

(iii) pledged bank deposits of approximately HK$38,176,000 (2007 (Restated): HK$40,591,000).

Notes to the Consolidated Financial Statements

34 FINANCIAL GUARANTEE GIVEN TO A JOINTLY-CONTROLLED COMPANY – THE COMPANY

In relation to a financial guarantee of RMB36,000,000 (equivalent to approximately HK$41,040,000) (2007: RMB36,000,000 (equivalent to approximately HK$38,520,000)) given by the Company to a bank for a loan granted to a jointly-controlled company of the Group, no recognition was made in these financial statements as the fair value of this guarantee was not material.

35 TRADE AND BILLS PAYABLES – THE GROUP

The aging analysis of the trade payables was as follows:

	2008		2007 (Restated)	
	HK$'000	**%**	*HK$'000*	%
Trade payables				
Less than 6 months	**354,788**	**98**	447,057	99
6 months – 1 year	**3,787**	**1**	965	1
Over 1 year	**3,496**	**1**	658	–
	362,071	**100**	448,680	100
Trade payables under endorsed bills	**440,265**		317,373	
	802,336		766,053	

Notes to the Consolidated Financial Statements

36 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 amount of HK$1,000 per month and thereafter contributions are voluntary and 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 participate 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 consolidated income statement of the Group, and represent contributions paid or payable by the Group at the rate specified in the rules of the plan.

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

The Group's total contributions to these schemes during the year ended 31 December 2008 amounted to approximately HK$13,945,000 (2007 (Restated): HK$13,048,000).

Notes to the Consolidated Financial Statements

37 SHARE OPTION SCHEME

Pursuant to a share option scheme adopted by the Company on 28 May 2004, certain share options were granted to the directors and employees of the Group on 18 April 2006. No share option was granted under this scheme in 2008 and 2007.

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

Category and name of participant	Date of grant	Exercise price per share	Exercise period	Number of options: Balance as at 1 January 2008	Number of options: Exercised during the year	Number of options: Balance as at 31 December 2008
		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
Shen Ling	18 April 2006	2.725	18 April 2006 to 17 April 2009	1,500,000	–	1,500,000
Zong Qingsheng	18 April 2006	2.725	18 April 2006 to 17 April 2009	1,500,000	–	1,500,000
Wang Lixin	18 April 2006	2.725	18 April 2006 to 17 April 2009	2,000,000	–	2,000,000
Employees of the Group	18 April 2006	2.725	18 April 2006 to 17 April 2009	8,500,000 (Note)	(500,000)	8,000,000
				19,100,000	(500,000)	18,600,000

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

Since the above share options were fully vested in 2007, no expense was recognised in relation to the fair value of the employee services received in exchange for the grant of the above share options for the year ended 31 December 2008 (2007: HK$401,000).

Notes to the Consolidated Financial Statements

38 BUSINESS COMBINATION

In April 2008, the Group completed the acquisition of 33% interest in Guangxi Huayin Aluminium Company Limited ("Guangxi Huayin"), a jointly-controlled company that engages in the production and sale of alumina and related products.

Details of net assets acquired and goodwill are as follows:

	HK$'000
Purchase consideration	
– Cash paid	1,011,869
– Direct costs relating to the acquisition	613
Total purchase consideration	1,012,482
Fair value of net assets acquired (see below)	(796,040)
Goodwill	216,442

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

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

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

Notes to the Consolidated Financial Statements

39 NOTES TO CONSOLIDATED CASH FLOW STATEMENT

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

	2008	2007
		(Restated)
	HK$'000	*HK$'000*
Profit for the year	**20,406**	861,814
Adjustments for:		
– Income tax (credit)/expense	**(3,623)**	99,373
– Share of profits less losses of jointly-controlled companies	**55,543**	(14,311)
– Share of profits less losses of associates	**(22,474)**	(34,259)
– Interest income	**(37,258)**	(83,252)
– Interest expense	**52,710**	101,081
– Depreciation of property, plant and equipment and amortisation of land use rights	**64,029**	62,611
– Loss/(Gain) on disposal of property, plant and equipment and investment properties (see below)	**168**	(175)
– Write-down/(Reversal of write-down) of inventories	**142,726**	(5,284)
– Reversal of provision for impairment of receivables	**(3,216)**	(3,640)
– Fair value gains on investment properties	**(3,188)**	(2,430)
– Amortisation of deferred income	**(2,688)**	(2,450)
– Amortisation of alumina purchasing rights	**141,140**	134,016
– Provision for/(Reversal of provision for) impairment of alumina purchasing rights	**46,215**	(257,622)
– Provision for losses in a jointly-controlled company	**6,071**	817
– Equity-settled share based payment	**–**	401
– Gain on disposal of an associate	**–**	(1,360)
– Fair value losses on convertible bonds	**–**	182,032
Changes in working capital (excluding the effects of acquisition and exchange differences on consolidation):		
– Amounts due from associates	**3,329**	1,039
– Inventories	**(72,122)**	(228,501)
– Trade and bills receivables and prepayments, deposits and other receivables	**(46,049)**	(506,843)
– Trade and bills payables and accruals, receipts in advance and other payables	**(57,523)**	188,377
– Derivative financial instruments	**36,517**	(66,370)
– Amounts due to holding companies	**(5,467)**	(575)
– Amounts due to fellow subsidiaries	**(2,456)**	(2,631)
– Amounts due to a jointly-controlled company and an associate	**200,065**	(857)
Net cash generated from operations	**512,855**	421,001

Notes to the Consolidated 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:

	2008	2007
		(Restated)
	HK$'000	*HK$'000*
Net book amount *(Notes 15 and 17)*	**301**	5,206
(Loss)/Gain on disposal of property, plant and equipment and investment properties	**(168)**	175
Proceeds from disposal of property, plant and equipment and investment properties	**133**	5,381

40 COMMITMENTS

(a) Operating leases

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

	The Group	
	2008	2007
	HK$'000	*HK$'000*
Not later than one year	**4,171**	4,285
Later than one year but not later than five years	**1,442**	3,566
	5,613	7,851

Notes to the Consolidated Financial Statements

40 COMMITMENTS *(cont'd)*

(b) Capital commitments

Capital expenditures not yet incurred are as follows:

	The Group	
	2008	2007
	HK$'000	*HK$'000*
Property, plant and equipment *(Note)*		
Contracted but not provided for	**282,976**	24,272
Authorised but not contracted for	**–**	373,399
	282,976	397,671
Investments in a subsidiary and associates		
Contracted but not provided for	**–**	1,566,596

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

41 RELATED PARTY TRANSACTIONS

As at 31 December 2008, the Group is controlled by Top Create Resources Limited ("Top Create") (incorporated in the British Virgin Islands), which owns approximately 58.6% 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 approximately 4.7% of the Company's shares. The remaining 36.7% 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.

Notes to the Consolidated Financial Statements

41 RELATED PARTY TRANSACTIONS *(cont'd)*

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

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

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

	2008	2007
		(Restated)
	HK$'000	*HK$'000*
Revenue		
Interest income	**706**	–
Expenses		
Purchases of non-ferrous metals	**640,065**	–

(b) Transactions with associates of the Group

	2008	2007
		(Restated)
	HK$'000	*HK$'000*
Revenue		
Rental income	**577**	135
Expenses		
Transportation fees	**23,863**	15,642

Notes to the Consolidated Financial Statements

41 RELATED PARTY TRANSACTIONS *(cont'd)*

(c) Transactions with subsidiaries of China Minmetals Corporation

	2008 HK$'000	2007 (Restated) HK$'000
Revenue		
Sales of non-ferrous metals to a fellow subsidiary	**56,750**	48,030
Expenses		
Construction contract fees to fellow subsidiaries	**46,881**	–
Transportation fees to fellow subsidiaries	**4,320**	19,247
Rental to fellow subsidiaries	**2,065**	1,299
Commission fees to fellow subsidiaries	**95**	–
Purchases of non-ferrous metals from fellow subsidiaries	**–**	57,330

(d) Transactions with other state-owned enterprises

	2008 HK$'000	2007 HK$'000
Revenue		
Sales of non-ferrous metals	**2,661,404**	3,097,870
Expenses		
Purchases of non-ferrous metals	**2,237,386**	2,145,050

(e) Key management compensation

	2008 HK$'000	2007 HK$'000
Salaries and other short-term employee benefits	**17,297**	14,283
Share-based payments	**–**	401
	17,297	14,684

Notes to the Consolidated Financial Statements

41 RELATED PARTY TRANSACTIONS *(cont'd)*

(f) Year-end balances

	2008	2007
		(Restated)
	HK$'000	*HK$'000*
Receivables, net from		
– a jointly-controlled company	**2,329**	–
– associates	**3,515**	6,835
– fellow subsidiaries	**–**	249
– other state-owned enterprises	**418,156**	275,175
Payables to		
– immediate holding company	**–**	5,467
– a jointly-controlled company	**199,974**	–
– an associate	**91**	–
– fellow subsidiaries	**220**	2,681
– other state-owned enterprises	**42,128**	79,408

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 amount due to a jointly-controlled company is unsecured, interest-free and repayable on demand.

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

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

Five-Year Financial Summary

	2008	2007	2006	2005	2004
		(Restated)	(Restated)		
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Results – The Group					
Revenue	**8,450,300**	7,337,175	10,627,800	3,332,765	1,288,485
Operating profit	**80,570**	942,056	578,053	216,925	250,478
Finance cost – net	**(24,647)**	(28,622)	(81,329)	(14,358)	(14,642)
Share of post-tax profits less losses of jointly-controlled companies	**(55,543)**	14,311	7,590	–	–
Provision for losses in a jointly-controlled company	**(6,071)**	(817)	–	–	–
Share of post-tax profits less losses of associates	**22,474**	34,259	29,870	25,046	9,135
Profit before income tax	**16,783**	961,187	534,184	227,613	244,971
Income tax credit/(expense)	**3,623**	(99,373)	344,425	(24,532)	(10,551)
Profit for the year	**20,406**	861,814	878,609	203,081	234,420
Attributable to:					
Equity holders of the Company	**12,543**	845,658	865,321	181,746	217,726
Minority interest	**7,863**	16,156	13,288	21,335	16,694
	20,406	861,814	878,609	203,081	234,420

Five-Year Financial Summary

	2008	2007 (Restated)	2006 (Restated)	2005	2004
	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	**646,755**	517,689	523,484	536,327	511,272
Interests in jointly-controlled companies	**1,125,868**	117,136	99,043	–	–
Interests in associates	**89,247**	87,242	48,398	85,116	43,059
Alumina purchasing rights	**2,558,400**	2,745,755	2,622,149	3,894,461	–
Available-for-sale financial assets	**309,790**	476,084	450,933	313,663	–
Inventories	**693,907**	744,747	492,596	943,797	224,518
Trade and bills receivables	**776,029**	625,235	530,516	502,170	217,655
Pledged deposits and cash and cash equivalents	**1,905,888**	2,736,530	2,610,733	987,745	190,884
Other assets	**804,065**	660,573	166,053	261,230	86,639
Total assets	**8,909,949**	8,710,991	7,543,905	7,524,509	1,274,027
Capital and reserve attributable to equity holders of the Company	**6,092,079**	6,308,092	4,225,381	3,081,023	422,005
Minority interest	**193,134**	251,828	220,206	203,019	178,963
Total equity	**6,285,213**	6,559,920	4,445,587	3,284,042	600,968
Bank borrowings	**848,580**	697,651	827,400	1,151,318	313,208
Trade and bills payables	**802,336**	766,053	565,965	475,628	143,515
Advances from banks for discounted bills	**87,297**	49,514	53,590	55,779	–
Convertible bonds	**–**	–	980,137	–	–
Provision for sales contract obligations	**–**	–	–	1,058,658	–
Other liabilities	**886,523**	637,853	671,226	1,499,084	216,336
Total liabilities	**2,624,736**	2,151,071	3,098,318	4,240,467	673,059
Total equity and liabilities	**8,909,949**	8,710,991	7,543,905	7,524,509	1,274,027
Net current assets	**2,012,677**	3,213,166	1,855,199	91,860	156,719
Total assets less current liabilities	**6,987,453**	7,204,573	5,619,120	4,656,924	723,610

五礦資源有限公司
MINMETALS RESOURCES LIMITED