



**五礦資源有限公司**  
MINMETALS RESOURCES LIMITED



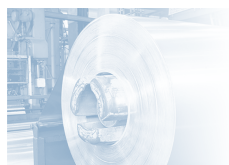
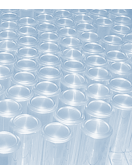
Interim Report  
中期報告

2005

The Board of directors (the "Board") of Minmetals Resources Limited (formerly known as "Oriental Metals (Holdings) Company Limited") is pleased to announce the unaudited condensed consolidated profit and loss account of the Company and its subsidiaries (collectively referred to as the "Group") for the six months ended 30 June 2005 (the "period"), together with the comparative figures for the corresponding period in 2004, and the unaudited condensed consolidated balance sheet of the Group as at 30 June 2005 together with the audited comparative figures as at 31 December 2004 as below. The interim financial report has been reviewed by the Company's audit committee and reviewed by the Company's auditors, PricewaterhouseCoopers, in accordance with Statement of Auditing Standard 700 "Engagements to review interim financial reports" issued by the Hong Kong Institute of Certified Public Accountants.

### CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Note	Six months ended 30 June	
		2005 (Unaudited) HK\$'000	2004 (Unaudited) (Restated) HK\$'000
<b>Turnover</b>	3		
Continuing operations		664,215	640,139
Discontinuing operations	4	–	30,008
		<b>664,215</b>	670,147
Cost of sales		<b>(596,314)</b>	(570,655)
<b>Gross profit</b>		<b>67,901</b>	99,492
Other revenues	3	<b>4,396</b>	791
		<b>72,297</b>	100,283
Selling expenses		<b>(23,055)</b>	(20,809)
Administrative expenses		<b>(22,841)</b>	(31,025)
Reversal of consolidated losses upon deconsolidation of a subsidiary	4	–	91,645
Other income, net	5	<b>81,618</b>	8,964
<b>Operating profit</b>	3		
Continuing operations		<b>108,019</b>	77,917
Discontinuing operations	4	–	71,141
		<b>108,019</b>	149,058
Finance costs	6	<b>(8,701)</b>	(9,441)
Share of profits less losses of associated companies		<b>7,787</b>	2,461
<b>Profit before income tax</b>	7		
Continuing operations		<b>107,105</b>	73,216
Discontinuing operations	4	–	68,862
		<b>107,105</b>	142,078
Income tax credit/(expense)	8	<b>1,078</b>	(4,748)
<b>Profit for the period</b>		<b>108,183</b>	137,330
<b>Attributable to:</b>			
Equity holders of the Company		<b>100,345</b>	130,976
Minority interest		<b>7,838</b>	6,354
		<b>108,183</b>	137,330
<b>Basic earnings per share</b>	9	<b>HK\$0.17</b>	HK\$0.23
<b>Basic earnings per share from continuing operations</b>	9	<b>HK\$0.17</b>	HK\$0.11
<b>Interim dividend</b>	10	–	–

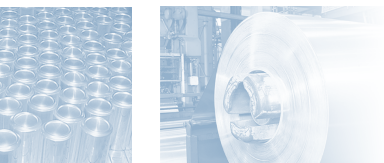


## CONDENSED CONSOLIDATED BALANCE SHEET

	Note	30 June 2005 (Unaudited) HK\$'000	31 December 2004 (Audited) (Restated) HK\$'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	11	470,921	292,231
Investment properties	11	15,286	7,090
Leasehold land and land use rights	11	9,567	8,943
Construction in progress	11	34,118	203,008
Interests in associated companies		57,101	43,059
Long-term receivables		4,717	4,717
Deferred income tax assets		13,294	7,843
		<b>605,004</b>	<b>566,891</b>
<b>Current assets</b>			
Inventories		215,740	224,518
Trade receivables, prepayments and other receivables	12	219,235	266,775
Amounts due from fellow subsidiaries		–	24,959
Bills discounted to banks or endorsed to suppliers		328,268	–
Pledged bank deposits		20,782	14,648
Cash and cash equivalents		259,857	176,236
		<b>1,043,882</b>	<b>707,136</b>
<b>Total assets</b>		<b>1,648,886</b>	<b>1,274,027</b>
<b>EQUITY</b>			
<b>Capital and reserves attributable to the Company's equity holders</b>			
Share capital		30,367	30,367
Reserves		491,983	391,638
		<b>522,350</b>	<b>422,005</b>
<b>Minority interest</b>		<b>186,142</b>	<b>178,963</b>
<b>Total equity</b>		<b>708,492</b>	<b>600,968</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Bank loans	14	94,340	94,340
Deferred income		27,758	28,302
		<b>122,098</b>	<b>122,642</b>
<b>Current liabilities</b>			
Trade payables and accrued charges	13	249,381	291,920
Bills payable		22,838	18,116
Trade payables under endorsed bills		269,740	–
Advances from banks for bills discounted		58,528	–
Income tax liabilities		12,148	14,721
Provisions		–	6,792
Bank loans	14	205,661	218,868
		<b>818,296</b>	<b>550,417</b>
<b>Total liabilities</b>		<b>940,394</b>	<b>673,059</b>
<b>Total equity and liabilities</b>		<b>1,648,886</b>	<b>1,274,027</b>
<b>Net current assets</b>		<b>225,586</b>	<b>156,719</b>
<b>Total assets less current liabilities</b>		<b>830,590</b>	<b>723,610</b>

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT**

	<b>Six months ended 30 June</b>	
	<b>2005</b>	2004
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Net cash generated from operating activities	<b>137,173</b>	59,227
Net cash used in investing activities	<b>(31,466)</b>	(13,592)
Net cash used in financing activities	<b>(22,086)</b>	(14,597)
	<hr/>	<hr/>
<b>Net increase in cash and cash equivalents</b>	<b>83,621</b>	31,038
Cash and cash equivalents at 1 January	<b>176,236</b>	140,879
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<b>Cash and cash equivalents at 30 June</b>	<b>259,857</b>	171,917
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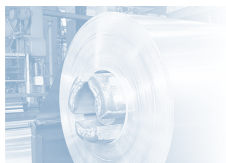
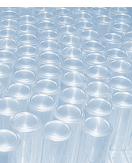
## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Six months ended 30 June 2005 (Unaudited)

	Attributable to equity holders of the Company										
	Share capital	Special premium	Capital reserve	Special capital reserve (Note 15)	Revaluation reserve	General reserve	People's Republic of China ("PRC") statutory reserves	Exchange translation reserve	Accumulated losses	Minority interest	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at 1 January 2005, as previously reported as equity	30,367	1,194,593	48,380	125,374	779	15,600	70,448	2,029	(1,065,565)	-	422,005
Balance at 1 January 2005, as previously separately reported as minority interest	-	-	-	-	-	-	-	-	-	178,963	178,963
Transfer as a result of the change in accounting policy for investment properties	-	-	-	-	(779)	-	-	-	779	-	-
Balance at 1 January 2005, as restated	30,367	1,194,593	48,380	125,374	-	15,600	70,448	2,029	(1,064,786)	178,963	600,968
Profit for the period	-	-	-	-	-	-	-	-	100,345	7,838	108,183
Dividends paid to minority shareholders	-	-	-	-	-	-	-	-	-	(659)	(659)
Transfer to PRC statutory reserves	-	-	-	-	-	-	1,369	-	(1,369)	-	-
	-	-	-	-	-	-	1,369	-	98,976	7,179	107,524
Balance at 30 June 2005	30,367	1,194,593	48,380	125,374	-	15,600	71,817	2,029	(965,810)	186,142	708,492

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)

	Six months ended 30 June 2005 (Unaudited)										
	Attributable to equity holders of the Company										
	Share capital	Special premium	Capital reserve	Special capital reserve (Note 15)	Revaluation reserve	General reserve	PRC statutory reserves	Exchange translation reserve	Accumulated losses	Minority interest	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at 1 January 2004	131,973	800,030	-	-	558	15,600	69,614	2,877	(1,282,457)	165,157	(96,648)
Debts waived by immediate holding company	-	-	48,380	-	-	-	-	-	-	-	48,380
Deconsolidation of a subsidiary	-	-	-	-	-	-	-	(773)	-	-	(773)
Net income/(expense) recognised directly in equity	-	-	48,380	-	-	-	-	(773)	-	-	47,607
Profit for the period	-	-	-	-	-	-	-	-	130,976	6,354	137,330
Total recognised income for the period	-	-	48,380	-	-	-	-	(773)	130,976	6,354	184,937
Issue of new shares	23,768	394,563	-	-	-	-	-	-	-	-	418,331
Dividend paid to minority shareholders	-	-	-	-	-	-	-	-	-	(439)	(439)
Transfer to special capital reserve as a result of capital reduction	(125,374)	-	-	125,374	-	-	-	-	-	-	-
Transfer to PRC statutory reserves	-	-	-	-	-	-	521	-	(521)	-	-
	(101,606)	394,563	-	125,374	-	-	521	-	(521)	(439)	417,892
Balance at 30 June 2004	30,367	1,194,593	48,380	125,374	558	15,600	70,135	2,104	(1,152,002)	171,072	506,181



## NOTES TO THE CONDENSED CONSOLIDATED ACCOUNTS

### 1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

These unaudited condensed consolidated interim accounts, which do not constitute statutory accounts, have been prepared in accordance with the applicable disclosure requirements set out in Appendix 16 to the Rules Governing the Listing of Securities ("Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and with the Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

These condensed consolidated interim accounts should be read in conjunction with the 2004 annual accounts. The accounting policies and methods of computation used in the preparation of these condensed consolidated interim accounts are consistent with those used in the accounts for the year ended 31 December 2004 except that the Group has changed certain of its accounting policies following its adoption of new/revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards (which include all HKASs and interpretations (HKAS-Ints) (collectively referred to as "new HKFRSs")) issued by the HKICPA which are effective for accounting periods commencing on or after 1 January 2005. The Group has not early adopted any new HKFRSs which have not yet been effective in the preparation of these condensed consolidated interim accounts.

The changes to the Group's accounting policies and the effect of adopting these new policies are set out in note 2 below.

### 2. CHANGE IN ACCOUNTING POLICIES

In 2005, the Group adopted new HKFRSs below, which are relevant to its operations. The 2004 comparatives have been amended as required, in accordance with the relevant requirements.

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 12	Income Taxes
HKAS 14	Segment Reporting
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 18	Revenue
HKAS 19	Employee Benefits
HKAS 20	Accounting for Government Grants and Disclosure of Government Assistance
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 28	Investments in Associates
HKAS 32	Financial Instruments: Disclosure and Presentation
HKAS 33	Earnings Per Share
HKAS 36	Impairment of Assets
HKAS 37	Provisions, Contingent Liabilities and Contingent Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 40	Investment Property
HKFRS 2	Share-based Payment
HKFRS 3	Business Combinations
HKAS-Int 21	Income Taxes – Recovery of Revalued Non-Depreciable Assets

## 2. CHANGE IN ACCOUNTING POLICIES (Continued)

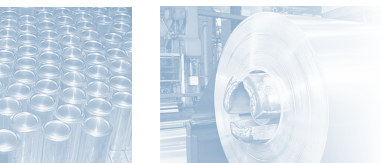
The adoption of the above new HKFRSs has the following impacts on the Group's accounting policies:

- (a) The adoption of HKASs 1, 2, 7, 8, 10, 12, 14, 16, 18, 19, 20, 21, 23, 24, 27, 28, 33, 36, 37, HKFRS 3 and HKAS-Int 21 do not result in substantial changes to the Group's accounting policies. In summary:
- HKAS 1 has affected the presentation of minority interests, share of net after-tax results of associated companies and other disclosures.
  - HKAS 7, 8, 16, 27 and 28 affect certain classifications and disclosures of the accounts.
  - HKAS 24 has affected the identification of related parties and some other related party disclosures.
  - HKAS 2, 10, 12, 14, 18, 19, 20, 21, 23, 33, 36, 37, HKFRS 3 and HKAS-Int 21 do not have material effect as the Group's accounting policies already comply with those standards.
- (b) The adoption of HKAS 17 has resulted in a change in accounting policy relating to leasehold land. Leasehold land and buildings were previously accounted for as finance leases and were stated at cost or valuation less accumulated depreciation and accumulated impairment losses. In accordance with HKAS 17, a lease of land and building should be split into a lease of land and a lease of building according to their fair value at inception. A lease of land is an operating lease and a lease of building is a finance lease unless the two elements cannot be allocated reliably, in which case the entire lease is classified as a finance lease. Pursuant to these requirements, the land premium paid for distinguishable leasehold land is accounted for as an operating lease and amortised over its unexpired lease term, whereas undistinguishable leasehold land and building is stated collectively at cost or valuation less accumulated depreciation and accumulated impairment losses.

The adoption of HKAS 17 resulted in:

- (i) Property, plant and equipment decreased and leasehold land and land use rights increased by approximately HK\$9,567,000 as at 30 June 2005; and
- (ii) Property, plant and equipment decreased and leasehold land and land use rights increased by approximately HK\$8,943,000 as at 31 December 2004; and
- (iii) No increase or decrease in reserves as at 1 January 2004 and 1 January 2005.





## 2. CHANGE IN ACCOUNTING POLICIES (Continued)

- (c) The adoption of HKAS 32 and HKAS 39 has resulted in the change in accounting policy for recognition, measurement, derecognition and disclosure of financial instruments. The Group's discounted bills with recourse, which were previously disclosed as contingent liabilities, have been accounted for as collateralised bank advances prospectively on and after 1 January 2005, as the financial assets derecognition conditions as stipulated in HKAS 39 have not been fulfilled. Similar to discounted bills, bills endorsed to suppliers, which were previously net off against trade payables, have been accounted for as trade payables under endorsed bills prospectively on and after 1 January 2005.

The adoption of HKAS 32 and 39 resulted in:

- (i) Bills discounted to banks or endorsed to suppliers increased, trade payables under endorsed bills increased and advances from banks for bills discounted increased by approximately HK\$328,268,000, HK\$269,740,000 and HK\$58,528,000 respectively as at 30 June 2005; and
- (ii) No increase or decrease in reserves as at 1 January 2005.
- (d) The adoption of HKAS 40 has resulted in a change in accounting policy for the Group's investment properties. In prior years, increases in the valuation of investment properties were credited to the revaluation reserve while decreases in the valuation of investment properties were firstly set off against increases on earlier valuations on a portfolio basis and thereafter charged to the profit and loss account. Following the adoption of HKAS 40, the Group has elected to use the fair value model to account for its investment properties which requires gains or losses arising from changes in the fair value of investment properties to be recognised directly in the profit or loss account for the period in which they arise. The Group has applied the relevant transitional provisions in HKAS 40 and elected to apply HKAS 40 from 1 January 2005 onwards. The amount held in revaluation reserve amounting to approximately HK\$779,000 at 1 January 2005 has been transferred to the Group's accumulated losses.
- (e) In the current period, the Group has applied HKFRS 2 which requires an expense to be recognised where the Group acquires goods and services in exchange for shares or rights over shares, or in exchange for other asset equivalent in value to a given number of shares or rights over shares. The principal impact of HKFRS 2 on the Group is in relation to the expensing of the fair value of directors' and employees' share options of the Company determined at the date of grant of the share options over the vesting period. Prior to the application HKFRS 2, the Group did not recognise the financial effect of these share options until they were exercised. The Group has not applied HKFRS 2 to share options granted on or before 7 November 2002 or vested before 1 January 2005 in accordance with the relevant transitional provisions.

### 3. SEGMENT INFORMATION

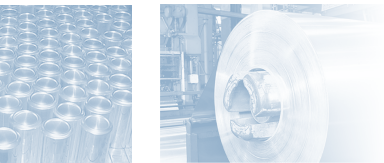
#### (a) By business segments

The Group's operations comprise the following main business segments:

Trading	:	Trading of nonferrous metals
Aluminium fabrication	:	Production and sales of aluminium foils and extrusions, aluminium cans and containers and packing products
Copper refinery and plica tubes production	:	Production and sales of plica tubes, copper rods, copper wires, copper cathodes and copper blisters

Six months ended 30 June (Unaudited)

	Continuing operations															
	Trading		Aluminium fabrication		Copper refinery and plica tubes production		Corporate and others		Sub-total		Discontinuing operations		Elimination of inter-segment transactions		Total	
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
	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	HK\$'000
Turnover	29,386	85,640	620,027	538,657	16,052	15,842	-	-	665,465	640,139	-	30,008	(1,250)	-	664,215	670,147
Other revenues	790	-	1,737	116	412	120	1,746	543	4,685	779	-	12	(289)	-	4,396	791
Segment results	28,250	45,422	14,416	21,589	9,497	4,566	56,145	6,340	108,308	77,917	-	71,141	(289)	-	108,019	149,058
Finance costs															(8,701)	(9,441)
Share of profits less losses of associated companies	-	-	6,624	(23)	1,163	2,484	-	-	7,787	2,461	-	-	-	-	7,787	2,461
Income tax credit/(expense)															1,078	(4,748)
Profit for the period															108,183	137,330



### 3. SEGMENT INFORMATION (Continued)

#### (a) By business segments (Continued)

As at 30 June 2005 (Unaudited) and 31 December 2004 (Audited)

	Trading		Aluminium fabrication		Copper refinery aluminum tubes production		Corporate and others		Total	
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment assets	89,568	119,074	1,310,065	914,005	28,913	25,230	149,945	164,816	1,578,491	1,223,125
Interests in associated companies									57,101	43,059
Deferred income tax assets									13,294	7,843
Total assets									1,648,886	1,274,027
Segment liabilities									928,246	658,338
Income tax liabilities									12,148	14,721
Total liabilities									940,394	673,059

Segment assets consist primarily of property, plant and equipment, investment properties, leasehold land and land use rights, construction in progress, inventories, receivables and operating cash, and mainly exclude interest in associated companies and deferred income tax assets. Segment liabilities comprise operating liabilities and exclude income tax liabilities.

Six months ended 30 June (Unaudited)

	Continuing operations													
	Copper refinery										Discontinuing operations		Total	
	Trading		Aluminium fabrication		and aluminum tubes production		Corporate and others		Sub-total		2005	2004	2005	2004
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
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	
Capital expenditure	-	-	29,166	18,881	-	348	52	316	29,218	19,545	-	-	29,218	19,545
Depreciation	1	2	17,620	15,306	156	100	114	247	17,891	15,655	-	4,461	17,891	20,116
Provision/(Reversal of provision) for impairment losses, net	-	-	11	(158)	-	-	-	(79)	11	(237)	-	(2,488)	11	(2,725)

Capital expenditure mainly comprises additions to property, plant and equipment, investment properties, leasehold land and land use rights as well as construction in progress.

### 3. SEGMENT INFORMATION (Continued)

#### (b) By geographical segments

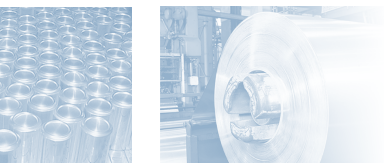
The Group's activities are conducted predominately in the PRC except that a small portion of its turnover is derived from other countries.

	Six months ended 30 June (Unaudited)											
	PRC		Hong Kong		Singapore		Others		Elimination of inter-segment transactions		Total	
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
	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 revenues	<b>580,933</b>	552,735	<b>4,646</b>	1,153	-	85,640	<b>79,886</b>	30,619	<b>(1,250)</b>	-	<b>664,215</b>	670,147
Contribution to gross profit	<b>51,359</b>	54,122	<b>703</b>	193	-	40,053	<b>15,839</b>	5,124	-	-	<b>67,901</b>	99,492
Capital expenditure	<b>29,166</b>	19,229	<b>52</b>	316	-	-	-	-	-	-	<b>29,218</b>	19,545

Revenues are allocated based on the places/countries in which customers are located.

	As at 30 June 2005 (Unaudited) and 31 December 2004 (Audited)									
	PRC		Hong Kong		Singapore		Others		Total	
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment assets	<b>1,387,887</b>	1,006,135	<b>183,036</b>	137,851	-	79,139	<b>7,568</b>	-	<b>1,578,491</b>	1,223,125

Segment assets are allocated based on where the assets are located.



#### 4. DISCONTINUING OPERATIONS

Discontinuing operations for the six months ended 30 June 2004 comprise the operations of (i) Zhangzhou International Aluminium Container Company Limited ("ZIAC"), a 60% owned subsidiary of the Group engaging in the manufacturing of aluminium cans, and (ii) Yixing Jinfeng Copper Materials Company Limited ("YJCM"), a 58% owned subsidiary of the Group engaging in the production and sale of copper wires.

ZIAC was deconsolidated from the Group and a reversal of accumulated consolidated losses of approximately HK\$91,645,000 was recorded during the six months ended 30 June 2004, which represents the release of the Group's share of ZIAC's net liabilities and exchange reserve.

#### 5. OTHER INCOME, NET

	<b>Six months ended 30 June</b>	
	<b>2005</b>	2004
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Reversal of provision/(Provision) for bad and doubtful debts		
– Amounts due from associated companies	<b>13,311</b>	942
– Receivables and prepayments	<b>54,599</b>	(2,590)
Reversal of provision for a guarantee given to a third party	<b>6,792</b>	–
Write back of trade payables and accrued charges	<b>5,831</b>	–
Government grant income	<b>544</b>	–
Accounts payable waived	–	9,673
(Provision)/Reversal of provision for impairment in value of property, plant and equipment and construction in progress		
– Properties	–	1,146
– Others	<b>(11)</b>	3,538
Provision for impairment in value of investments in securities	–	(1,959)
Others	<b>552</b>	(1,786)
	<b>81,618</b>	8,964

## 6. FINANCE COSTS

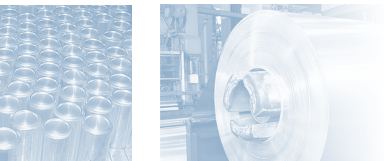
	<b>Six months ended 30 June</b>	
	<b>2005</b>	2004
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Bank loans wholly repayable within five years	<b>8,700</b>	12,920
Other loans wholly repayable within five years	<b>1</b>	32
	<hr/>	<hr/>
	<b>8,701</b>	12,952
Less: Interest capitalised in construction in progress	<b>-</b>	(3,511)
	<hr/>	<hr/>
	<b>8,701</b>	9,441
	<hr/>	<hr/>

No interest was capitalised for the six months ended 30 June 2005. The capitalisation rate applied to funds borrowed and used for construction in progress was 5.58% per annum for the six months ended 30 June 2004.

## 7. PROFIT BEFORE INCOME TAX

Profit before income tax is determined after charging and crediting the followings:

	<b>Six months ended 30 June</b>	
	<b>2005</b>	2004
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Charging:		
Depreciation	<b>17,891</b>	20,116
Loss on disposal of fixed assets	<b>2</b>	4,786
Staff costs (including pension costs of HK\$5,132,000 (2004: HK\$4,658,000) and directors' emoluments)	<b>33,584</b>	31,717
Operating lease rentals on land and buildings	<b>1,117</b>	816
Exchange loss, net	<b>123</b>	84
	<hr/>	<hr/>
Crediting:		
Interest income	<b>2,381</b>	658
	<hr/>	<hr/>



## 8. INCOME TAX CREDIT/(EXPENSE)

Hong Kong profits tax has been provided at the rate of 17.5% (2004: 17.5%) on the estimated assessable profit for the period. Taxation on profits arising from other jurisdictions has been calculated on the estimated assessable profit for the period at the rates prevailing in the relevant jurisdictions.

	<b>Six months ended 30 June</b>	
	<b>2005</b>	2004
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Current income tax		
– PRC Enterprise Income Tax	<b>(4,373)</b>	(2,661)
Deferred income tax credit/(charge)	<b>5,451</b>	(2,087)
	<hr/>	<hr/>
Income tax credit/(expense)	<b>1,078</b>	(4,748)
	<hr/> <hr/>	<hr/> <hr/>

Share of taxation attributable to associated companies for the six months ended 30 June 2005 of approximately HK\$162,000 (2004: HK\$994,000) are included in the condensed consolidated profit and loss account as share of profits less losses of associated companies.

## 9. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the Group's profit attributable to shareholders of approximately HK\$100,345,000 (2004: HK\$130,976,000) and the weighted average number of 607,349,612 ordinary shares (2004: 578,618,040 ordinary shares) in issue during the period.

The calculation of basic earnings per share from continuing operations is based on the Group's profit attributable to shareholders from continuing operations of approximately HK\$100,345,000 (2004: HK\$62,114,000) and the same denominator used in the calculation of the basic earnings per share above.

No disclosure of diluted earnings per share or diluted earnings per share from continuing operations has been presented because the effect is anti-dilutive (the exercise price of the Company's options was higher than the average market price for the shares).

## 10. INTERIM DIVIDEND

The directors do not recommend the payment of interim dividend for the six months ended 30 June 2005 (2004: Nil).

## 11. CAPITAL EXPENDITURE

	Property, plant and equipment (Unaudited) <i>HK\$'000</i>	Investment properties (Unaudited) <i>HK\$'000</i>	Leasehold land and land use rights (Unaudited) <i>HK\$'000</i>	Construction in progress (Unaudited) <i>HK\$'000</i>
Net book value as at 1 January 2005	292,231	7,090	8,943	203,008
Additions	991	-	1,132	27,095
Properties received as repayment of debts	-	7,400	-	-
Transferred from construction in progress to property, plant and equipment	195,985	-	-	(195,985)
Depreciation	(17,383)	-	(508)	-
Provision for impairment	(11)	-	-	-
Reclassification	(796)	796	-	-
Disposals	(96)	-	-	-
Net book value as at 30 June 2005	<b>470,921</b>	<b>15,286</b>	<b>9,567</b>	<b>34,118</b>

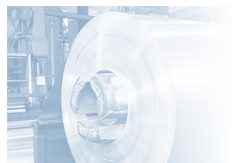
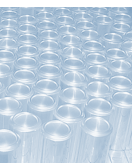
## 12. TRADE RECEIVABLES, PREPAYMENTS AND OTHER RECEIVABLES

The Group normally grants a credit period ranging from 30 days to 90 days to its trade customers. Included in the Group's trade receivables, prepayments and other receivables are trade receivables balance, net of provision for doubtful debts, of approximately HK\$140,232,000 (2004: HK\$217,655,000). An aging analysis of such trade receivables is shown as follows:

	30 June 2005 (Unaudited)		31 December 2004 (Audited)	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Less than 6 months	132,933	95	199,290	92
6 months – 1 year	5,505	4	7,729	4
Over 1 year	1,794	1	10,636	4
	<b>140,232</b>	<b>100</b>	<b>217,655</b>	<b>100</b>

The carrying amounts of trade receivables, prepayments and other receivables approximate their fair value.





### 13. TRADE PAYABLES AND ACCRUED CHARGES

Included in the Group's trade payables and accrued charges are trade payables balance of approximately HK\$86,166,000 (2004: HK\$125,399,000). An aging analysis of such trade payables is shown as follows:

	30 June 2005 (Unaudited)		31 December 2004 (Audited)	
	HK\$'000	%	HK\$'000	%
Less than 6 months	85,999	99	112,583	90
6 months – 1 year	56	–	4,631	4
1 – 2 years	15	–	5,247	4
Over 2 years	96	1	2,938	2
	<b>86,166</b>	<b>100</b>	<b>125,399</b>	<b>100</b>

### 14. BANK LOANS

	30 June 2005 (Unaudited) HK\$'000	31 December 2004 (Audited) HK\$'000
Repayable within one year or on demand		
– Secured bank loans	202,832	206,605
– Unsecured bank loans	2,829	12,263
Included under current liabilities	<b>205,661</b>	<b>218,868</b>
Repayable between one and two years		
– Secured bank loans	94,340	47,170
Repayable between two and five years		
– Secured bank loans	–	47,170
Included under non-current liabilities	<b>94,340</b>	<b>94,340</b>
	<b>300,001</b>	<b>313,208</b>

Carrying amounts of the bank loans approximate their fair value.

As at 30 June 2005, certain property, plant and equipment, leasehold land and land use rights as well as construction in progress of the Group with a total net book value of approximately HK\$454,155,000 (2004: HK\$410,000,000) and bank deposits of approximately HK\$20,782,000 (2004: HK\$14,648,000) were pledged to banks to secure certain banking facilities of the Group.

### 15. SPECIAL CAPITAL RESERVE

As a result of the capital reduction of the Company became effective on 6 January 2004, a credit of HK\$125,374,060 was transferred from the share capital account to a special capital reserve account. The Company has undertaken that the special capital reserve will be used for the purpose of elimination or reducing in future the accumulated losses of the Company.

## 16. CONTINGENT LIABILITIES

As at 30 June 2005, the Group had contingent liabilities in respect of the following:

- (a) The Company provided corporate guarantees to a financial institution in respect of the banking facilities extended to an associated company amounting to approximately HK\$23,585,000 (2004: HK\$23,585,000).
- (b) The Group had unsettled tax payables in respect of certain properties in the PRC which may result in potential additional charges. No provision has been made by the Group since the amount of additional charges, if any, cannot be reliably determined. The directors of the Company are of the opinion that the potential additional charges are not expected to exceed HK\$1,400,000 (2004: HK\$1,300,000).

## 17. COMMITMENTS

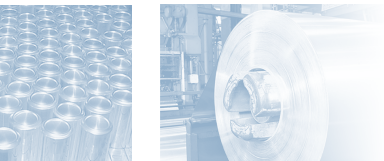
### (a) Operating leases

As at 30 June 2005, the Group's commitments in respect of rented premises under non-cancellable operating leases amounted to approximately HK\$1,637,000 (2004: HK\$2,245,000). Details of the total future minimum lease payments under non-cancellable operating leases are as follows:

	<b>30 June 2005 (Unaudited) HK\$'000</b>	31 December 2004 (Audited) HK\$'000
Total future minimum lease payments payable:		
Within one year	<b>929</b>	1,396
After one year but within five years	<b>708</b>	849
	<b><u>1,637</u></b>	<u>2,245</u>

- (b) Capital commitments in respect of purchase of plant and machinery are as follows:

	<b>30 June 2005 (Unaudited) HK\$'000</b>	31 December 2004 (Audited) HK\$'000
Authorised and contracted for	<b>22,181</b>	15,724
Authorised but not contracted for	<b>25,830</b>	49,100
	<b><u>48,011</u></b>	<u>64,824</u>



## 18. RELATED PARTY TRANSACTIONS

The Group is controlled by Coppermine Resources Limited, a company incorporated in the British Virgin Islands, which owns 74.98% of the Company's shares. The remaining 25.02% of the shares are widely held. The ultimate parent of the Group is China Minmetals Corporation ("China Minmetals"), a company incorporated in the PRC.

During the period, the Group entered into the following material transactions with related parties in the ordinary course of business:

	<b>Six months ended 30 June</b>	
	<b>2005</b>	2004
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Purchases of nonferrous metals from an associated company	-	35,432
Sales of nonferrous metals to associated companies	<b>27,710</b>	2,624
Purchases of nonferrous metals from related companies (Note)	<b>381,884</b>	294,365
Sales of nonferrous metals to related companies (Note)	<b>70,733</b>	93,240
Transportation fees paid to an associated company	<b>5,276</b>	4,928
Purchase of construction in progress from an associated company	-	2,198
Rental expense paid to a fellow subsidiary	<b>348</b>	348
Rental income received from an associated company	<b>60</b>	334
Interest expense paid to a related company	-	31
Short-term employee benefits given to key management personnel	<b>1,950</b>	1,720
	<b>—————</b>	<b>—————</b>

Note: As China Minmetals is a state-owned enterprise managed by the PRC government, the PRC government is considered as the Company's ultimate controlling party. State-controlled enterprises and their subsidiaries, in addition to China Minmetals, directly or indirectly controlled by the PRC government are also considered as related parties of the Group. The Group has in place procedures to assist the identification of related parties of this type. Many state-controlled enterprises have multi-layered and diversified corporate structure and the structure may also change over time as a result of transfers and privatization programmes. Nevertheless, management has endeavoured to ensure that all material related party transactions have been adequately disclosed.

**18. RELATED PARTY TRANSACTIONS (Continued)**

The period-end balances due from/(to) related parties are as follows:

	<b>30 June 2005 (Unaudited) HK\$'000</b>	31 December 2004 (Audited) HK\$'000
Amounts due from associated companies	<b>40,496</b>	46,048
Less: Provisions	<b>(32,494)</b>	(45,827)
	<b>8,002</b>	221
Amounts due from related companies	<b>48,811</b>	13,259
Amounts due to related companies	<b>(3,013)</b>	(15,062)

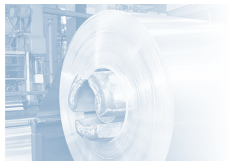
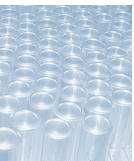
**19. ACQUISITION OF SUBSIDIARIES**

On 30 December 2004, the Company entered into an acquisition agreement with two related companies, China Minmetals Non-ferrous Metals Company Limited ("CMN") and Top Create Resources Limited ("Top Create"), for the acquisition (the "Acquisition") of certain subsidiaries of CMN which are mainly engaged in sourcing alumina and other aluminium products in the international markets and in the supply of such alumina to aluminium smelters in the PRC. The consideration for the acquisition of HK\$2,886 million will be satisfied in full by the allotment and issue of 1,009,090,909 new shares of the Company to Top Create at HK\$2.86 per share, representing about 166.15% of the number of issued share capital of the Company as at 31 December 2004.

The resolution approving the Acquisition was duly passed at the Company's extraordinary general meeting held on 25 July 2005. However, the completion of the Acquisition is subject to the fulfillment of a number of conditions precedent, details of which can be referred to the Company's circular dated 30 June 2005 as well as the announcements dated 30 December 2004, 19 January 2005, 29 June 2005 and 25 July 2005 jointly issued by CMN and the Company.

**20. EVENTS AFTER THE BALANCE SHEET DATE**

Pursuant to a shareholders' resolution on 25 July 2005, the Company changed its name from "Oriental Metals (Holdings) Company Limited" to "Minmetals Resources Limited" with effect from 4 August 2005.



## MANAGEMENT DISCUSSION AND ANALYSIS

On 30 December 2004, the Company entered into a conditional acquisition agreement to acquire certain alumina and aluminium businesses of China Minmetals Non-ferrous Metals Company Limited. On 30 June 2005, the Group despatched a circular (for a very substantial acquisition, connected transactions and reverse takeover involving a new listing application, continuing connected transactions and change of company name) in relation to the acquisition. The resolutions approving these transactions were duly passed by the Company's extraordinary meeting on 25 July 2005. Through the acquisition, the Group aims to widen its alumina related operation by increasing its business scale. With the change of company name, the Company believes it can better reflect its relationship with China Minmetals Corporation, leverage on the "Minmetals" brand and establish the future strategic plan for the Group.

## RESULTS

Group's turnover for the six months ended 30 June 2005 amounted to HK\$664.2 million, representing a slight decrease of 1% when compared to the corresponding period in last year. The consolidated profit attributable to shareholders decreased by 23% to HK\$100.3 million. A higher profit was recorded in the corresponding period last year because it included certain non-recurring profits of approximately HK\$68.9 million derived from discontinuing operations (which mainly comprised the reversal of consolidated losses of approximately HK\$91.6 million resulting from the liquidation of a subsidiary). If only the continuing operations are considered, profit before income tax increased by 46% when compared to the same period last year.

During the period, direct industrial investments reported continued improvement. Besides, with dedicated effort made by the Group, the expediting work of the outstanding receivables brought forward from previous years also showed results.

## BUSINESS REVIEW

### Trading Operation

The long-term alumina supply contract of the Group was expired in 2004. No renewal was made after its expiry on 31 December 2004 because the parties could not agree on a price which was mutually acceptable.

Despite this, the Group sought to develop other trading opportunities. In the first half of 2005, the Group achieved a turnover of approximately HK\$29.4 million in nonferrous metals trading.

## **BUSINESS REVIEW (Continued)**

### **Direct Industrial Investments**

The Group's direct industrial investments comprise aluminium fabrication, copper refinery and plica tubes production. During the period, the turnover derived from direct industrial investments accounted for approximately 96% of the Group's total turnover, giving rise to the increase in contribution to the Group's profit.

Qingdao M.C. Packaging Limited, an associated company of the Group, turned back into profit-making during the period. In view of its sustained improvement, certain impairment provisions previously provided were written back. Accordingly, the Group's share of profit of associated companies in total increased by approximately HK\$5.3 million.

The performance of the direct industrial investments, which principally affected the Group's results for the period, is analysed as follows:

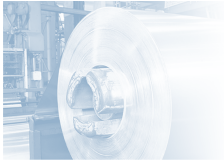
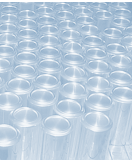
#### **Aluminium Fabrication Business**

##### *North China Aluminium Company Limited ("NCA")*

NCA is a subsidiary owned as to 51% by the Group. NCA achieved a sales volume of approximately 29,000 tonnes in current period, up 14% compared to that of the same period last year. The newly refurbished aluminium cold mill greatly enhanced NCA's production capacity. As a result, the sales of aluminium foil coil, strip and PS plate increased sharply by approximately 96%. Although the increase in NCA's sales of aluminium foils can keep pace with the growth of China's aluminium consumption, NCA has been facing more fierce competition than before. Decreasing production costs enabled its rivals to lower their product prices day after day. Apart from adjusting its product mix to cope with the market changes and competition, NCA has been streamlining its different operations in order to better manage the challenges from market competition and increase its profitability. In particular, a specialised technological unit was established to carry out production cost savings and quality enhancement studies.

##### *Qingdao M.C. Packaging Limited ("QDMC")*

QDMC is an associated company owned as to 20% by the Group. In the current period, QDMC sold more than 200 million aluminium cans. Its turnover and profit also recorded significant improvement when compared to previous period.



## **BUSINESS REVIEW (Continued)**

### **Copper Refinery and Plica Tubes Production**

#### *Yingkou Orientmet Plica Tube Company Limited ("YOPT")*

YOPT is a subsidiary owned as to 51% by the Group. Affected by counterfeit and pirated products, the total sales volume of YOPT decreased by 10%. However, by adjusting its sales mix, YOPT still accomplished a slight growth in its turnover. In markets like machinery engineering, shipbuilding, automobile manufacturing industries and electrical power stations, some product categories even recorded satisfactory increase in turnover. In order to protect the company's long-term interest, YOPT has been adopting various measures to alleviate the effect of the counterfeit and pirated products.

#### *Changzhou Jinyuan Copper Company Limited ("CZJY")*

CZJY is an associated company owned as to 25% by the Group. During the period, major reform of certain production processes, high copper prices as well as the volatile fluctuation of copper cathode prices caused significant influence to the daily sales and production operations of CZJY. Meanwhile, CZJY has reset its operating strategy from revenue-maximisation to profit-maximisation. Its rapid responses to the changes in market condition can enhance its competitiveness in the market.

### **Financial Resources and Cash Flow**

The financial position and liquidity of the Group continued to show healthy development during the period. As at 30 June 2005, the Group's total assets and net assets amounted to HK\$1,648.9 million and HK\$708.5 million respectively, up 29% and 18% from the last year end.

For the period under review, the net cash generated from operating activities amounted to approximately HK\$137.2 million. The net cash used in investing activities (mainly for the purchases of plant and equipment as well as additions to construction in progress) amounted to approximately HK\$31.5 million. The net cash used in financing activities (mainly for the repayment of bank loans) amounted to approximately HK\$22.1 million. The cash and cash equivalents of the Group as a result increased by approximately HK\$83.6 million when compared to 31 December 2004.

The bank debt to equity ratio, which is measured as total bank loans (net of cash balances) as a proportion of shareholders' equity improved significantly from 29% at 31 December 2004 to 4% at 30 June 2005.

As at 30 June 2004, the Group had cash in hand and cash deposits of approximately HK\$280.6 million (all are unpledged except for the bank deposits of approximately HK\$20.8 million), of which 61% and 35% were denominated in United States Dollars ("USD") and Renminbi ("RMB") respectively, while the remaining was in Hong Kong dollars ("HKD").

## **BUSINESS REVIEW (Continued)**

### **Financial Resources and Cash Flow (Continued)**

As at 30 June 2004, the Group's total outstanding bank loans amounted to approximately HK\$300.0 million, of which approximately HK\$94.3 million was repayable after one year. All the bank loans were denominated in Renminbi and at fixed interest rates.

### **Acquisition of Subsidiaries**

On 30 December 2004, the Company entered into an acquisition agreement with its related companies, China Minmetals Non-ferrous Metals Company Limited ("CMN") and Top Create Resources Limited ("Top Create"), for the acquisition (the "Acquisition") of certain subsidiaries of CMN which are mainly engaged in sourcing alumina and other aluminium products in the international markets and in the supply of such alumina to aluminium smelters in the PRC. The consideration for the acquisition of HK\$2,886 million will be satisfied in full by the allotment and issue of 1,009,090,909 new shares of the Company to Top Create at HK\$2.86 per share, representing about 166.15% of the existing number of issued share capital of the Company as at 31 December 2004.

The resolution approving the Acquisition was duly passed at the Company's extraordinary general meeting held on 25 July 2005. However, the completion of the Acquisition is subject to the fulfillment of a number of conditions precedent, details of which can be referred to the circular dated 30 June 2005 issued by the Company as well as the announcements dated 30 December 2004, 19 January 2005, 29 June 2005 and 25 July 2005 jointly issued by CMN and the Company.

Except the above, there was no material acquisition or disposal of subsidiary or associated company during the period.

### **Capital Expenditure**

The Group's total capital expenditure was approximately HK\$29.2 million for the period. It was mainly used for the acquisition and upgrade of plant and machinery. As at 30 June 2005, the Group's outstanding commitments in this respect were approximately HK\$48.0 million.

### **Charge on Assets**

Certain property, plant and equipment, leasehold land and land use rights as well as construction in progress of the Group with an aggregate net book value of approximately HK\$454.2 million as at 30 June 2005 and bank deposits of approximately HK\$20.8 million were pledged to banks to secure certain banking facilities of the Group.





## **BUSINESS REVIEW (Continued)**

### **Foreign Exchange Risk**

The Group continues to adopt a prudent policy regarding foreign exchange risk exposure. During the period, most of its business transactions were conducted in HKD, USD or RMB, the foreign exchange risk exposure of the Group was minimal. Hence, no financial hedging instrument was used by the Group in this regard.

Overall speaking, the recent revaluation of RMB by The People's Bank of China on 21 July 2005 is favourable (though not yet reflected in this interim result) to the Group. The major impact can be analysed from the following perspectives:

– Trading operation

No direct impact. Majority of the trading receipts and payments of the Group's trading operation is denominated in USD. So long as the exchange rate peg between HKD and USD is maintained, it is not foreseen that the Group will be exposed to significant exchange rate risk exposure on this aspect.

– Bank deposits

Favourable impact. As indicated in previous section of this report, most of the Group's bank deposits were denominated in either USD or RMB (approximately 61% in USD and 35% in RMB as at 30 June 2005), the appreciation of RMB will have favorable result to the Group.

– Operating exposure of the PRC direct industrial investments

No significant impact. This is because: (i) the amount of overseas sales is not significant to the total income of the Group's PRC subsidiaries and associated companies and (ii) imported materials will cost lesser than before and hence can partially offset the decline in their export sales revenue if any.

– Translation exposure for the PRC direct industrial investments

Favourable impact. The total net assets as shared by the Group in its PRC subsidiaries and associated companies amounted to approximately RMB249.9 million as at 30 June 2005. Translation gains will be recorded on consolidation if RMB appreciates against HKD.

Unless there is a significant devaluation in RMB, it is not expected the above foreign exchange exposure would have any material adverse impact on the Group in the foreseeable future.

## **BUSINESS REVIEW (Continued)**

### **Contingent liabilities**

As at 30 June 2005, the Group had contingent liabilities in respect of the following:

- (a) The Company provided corporate guarantees to a financial institution in respect of the banking facilities extended to an associated company amounting to approximately HK\$23.6 million (2004: HK\$23.6 million).
- (b) The Group had unsettled tax payables in respect of certain properties in the PRC which may result in potential additional charges. No provision has been made by the Group since the amount of additional charges, if any, cannot be reliably determined. The directors of the Company are of the opinion that the potential additional charges are not expected to exceed HK\$1.4 million (2004: HK\$1.3 million).

### **Employee**

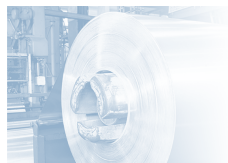
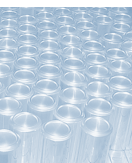
As at 30 June 2005, the Group employed about 2,500 staff (not including the staff of the associated companies). The total staff costs (including the directors' emoluments) for the period was approximately HK\$33.6 million. The Group adopts a pay policy in line with market practice and will offer different training programmes to staff as and when required.

### **Outlook**

The China economy continues to maintain a healthy development. Driven by the growth in construction, transportation, power industries and home appliances industry, the nonferrous metals market for the second half of 2005 in general remains optimistic. Nevertheless, periodical price fluctuations and intensified market competition would undermine company's performance. Therefore, in addition to expanding its existing businesses, the Group will strive to duly complete the acquisition of the alumina and aluminium businesses as injected by its ultimate controlling shareholder, aiming to increase its business scale and to strengthen its core operation. The Company believes that after enlargement the Group can leverage on its industrial expertise and experience as well as the competitive advantages to diversify its operations and expand into other nonferrous metals market. Armed with these strengths, the Company aims to further enhance its profitability and return on assets.

### **CHANGE OF COMPANY NAME**

Pursuant to the special resolution in respect of the change of Company's name from "Oriental Metals (Holdings) Company Limited (東方鑫源(集團)有限公司)" to "Minmetals Resources Limited (五礦資源有限公司)" was duly passed by the shareholders at the extraordinary general meeting of the Company held on 25 July 2005 and the Certificate of Change of Name of the Company was issued by the Registrar of Companies in Hong Kong on 4 August 2005, the name of the Company was changed with effect from 4 August 2005.



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

As at 30 June 2005, 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 ("SFO")) as 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 Companies ("Model Code") were as follows:

### Long position in 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)
Lin Xizhong	Personal	3,000,000	0.49%
Qian Wenchao	Personal	1,500,000	0.25%
Tang Xiaojin	Personal	1,500,000	0.25%
Xu Huizhong	Personal	2,000,000	0.33%

Notes:

1. The directors' interests in underlying shares are share options granted by the Company pursuant to the 1994 Share Option Scheme, details of which are set out under the section headed "Share Option Schemes".
2. The calculation is based on the number of underlying shares as a percentage of the total number of issued shares of the Company (i.e. 607,349,612 shares) as at 30 June 2005.

Save as disclosed above, as at 30 June 2005, other than a nominee share in a subsidiary held by a director in trust for the Company, none of the directors or the chief executive of the Company or any of their associates has 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) as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise 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).

## SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

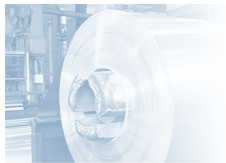
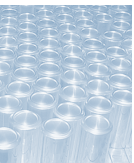
As at 30 June 2005, the following persons were recorded in the register required to be kept by the Company under section 336 of the SFO as having an interest or a short position in the shares and underlying shares of 5% or more of the issued shares of the Company:

### Long position in 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, 4 & 5)	1,464,467,826	241.12% (Note 3)
China Minmetals Non-ferrous Metals Company Limited ("CMN")	Interest of controlled corporation (Notes 2 & 4)	1,009,090,909	166.15%
Top Create Resources Limited ("Top Create")	Beneficial owner (Notes 2 & 4)	1,009,090,909	166.15%
China Minmetals H.K. (Holdings) Limited ("Minmetals HK")	Interest of controlled corporation (Note 5)	455,376,917	74.98%
Coppermine Resources Limited ("Coppermine")	Beneficial owner (Note 5)	455,376,917	74.98%

#### Notes:

- 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. 607,349,612 shares) of the Company as at 30 June 2005.



2. Pursuant to the joint announcements of the Company and CMN dated 30 December 2004, 19 January 2005, 29 June 2005, and 25 July 2005 and the circular of the Company dated 30 June 2005, a conditional acquisition agreement ("Acquisition Agreement") was entered into between the Company (as purchaser), Top Create (as seller) and CMN (as Top Create's guarantor and warrantor) on 30 December 2004 in relation to the Company's proposed acquisition of the entire interest of Top Create in Peak Strategic Industries Limited ("Acquisition"). The consideration for the Acquisition of HK\$2,886 million will be satisfied in full by the allotment and issue of 1,009,090,909 new shares of the Company ("Consideration Shares") to Top Create at HK\$2.86 per Consideration Share, representing about 166.15% of the issued share capital (i.e. 607,349,612 shares at HK\$0.05 each) of the Company as at 30 June 2005 and about 62.43% of the enlarged issued share capital (i.e. 1,616,440,521 shares at HK\$0.05 each) of the Company immediately after completion of the Acquisition Agreement (assuming that there will be no change in the Company's issued share capital from 30 June 2005 to completion of the Acquisition Agreement save for the issue of the Consideration Shares). The Acquisition had been duly passed as an ordinary resolution by the independent shareholders of the Company at the extraordinary general meeting held on 25 July 2005. However, the Acquisition is still in progress and completion of the Acquisition is still subject to the fulfillment of a number of conditions precedent.
3. The 1,464,467,826 shares of the Company held/were deemed to be held by China Minmetals represents about 241.12% of the issued share capital (i.e. 607,349,612 shares at HK\$0.05 each) of the Company as at 30 June 2005 and about 90.60% of the enlarged issued share capital (i.e. 1,616,440,521 shares at HK\$0.05 each) of the Company immediately after completion of the Acquisition Agreement (assuming that there will be no change in the Company's issued share capital from 30 June 2005 to completion of the Acquisition Agreement save for the issue of the Consideration Shares).
4. Top Create is a wholly-owned subsidiary of CMN which in turn is owned as to approximately 82.23% by China Minmetals. Accordingly, CMN and China Minmetals were by virtue of the SFO deemed to be interested in the 1,009,090,909 shares of HK\$0.05 each of the Company which are taken to be held by Top Create under section 322(5) of the SFO as at 30 June 2005.
5. Coppermine is a wholly-owned subsidiary of Minmetals HK which in turn is a wholly-owned subsidiary of China Minmetals. Accordingly, Minmetals HK and China Minmetals were by virtue of the SFO deemed to be interested in the 455,376,917 shares of HK\$0.05 each of the Company held by Coppermine as at 30 June 2005.

Save as disclosed above, as at 30 June 2005, no other person was recorded in the register required to be kept by the Company under section 336 of the SFO as having an interest or a short position in the shares and underlying shares of 5% or more of the issued shares of the Company.

## SHARE OPTION SCHEMES

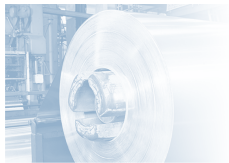
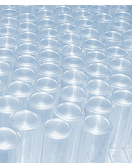
### 1994 Share Option Scheme

Pursuant to the share option scheme adopted by the Company on 25 November 1994 (“1994 Share Option Scheme”), the number of outstanding options as at 30 June 2005 is 11,110,000. The 1994 Share Option Scheme had expired on 24 November 2004. Accordingly, no further options would be granted in accordance to the provisions thereunder but in all other respects the provisions of the 1994 Share Option Scheme shall remain in force to govern the exercise of all the options granted prior to such expiry which shall continue to be valid and outstanding.

There was no options exercised, cancelled or lapsed under the 1994 Share Option Scheme during the six months ended 30 June 2005. Details of the outstanding options which have been granted under the 1994 Share Option Scheme are as follows:

Category and name of participant	Date of grant	Exercise price per share HK\$	Exercise period	Number of options				Balance as at 30 June 2005
				Balance as at 1 January 2005	Exercised during the period	Cancelled during the period	Lapsed during the period	
<b>Directors</b>								
Lin Xizhong	15 March 2004 (Note)	3.115	16 March 2004 to 15 March 2007	3,000,000	-	-	-	3,000,000
Qian Wenchao	15 March 2004 (Note)	3.115	16 March 2004 to 15 March 2007	1,500,000	-	-	-	1,500,000
Tang Xiaojin	15 March 2004 (Note)	3.115	16 March 2004 to 15 March 2007	1,500,000	-	-	-	1,500,000
Xu Huizhong	15 March 2004 (Note)	3.115	16 March 2004 to 15 March 2007	2,000,000	-	-	-	2,000,000
<b>Employees</b>								
	15 March 2004 (Note)	3.115	16 March 2004 to 15 March 2007	3,110,000	-	-	-	3,110,000
				<u>11,110,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,110,000</u>

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



### **2004 Share Option Scheme**

At the annual general meeting of the Company held on 28 May 2004, the Company adopted a new share option scheme ("2004 Share Option Scheme") which is in compliance with the new requirements as set out in Chapter 17 to the Listing Rules. No options had been granted under the 2004 Share Option Scheme since its adoption.

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

During the six months ended 30 June 2005, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

### **AUDIT COMMITTEE**

The audit committee of the Company comprises three independent non-executive directors, namely Mr. Liu Hongru, Mr. Chan Wai Dune and Mr. Ting Leung Huel, Stephen. Mr. Chan Wai Dune is the Chairman of the audit committee. The principal duties of the audit committee include the review and supervision of the financial reporting process and internal controls of the Group. The audit committee has reviewed the unaudited condensed consolidated accounts of the Group for the six months ended 30 June 2005.

### **REMUNERATION COMMITTEE**

The Company had established a remuneration committee with written terms of reference on 11 April 2005 pursuant to the provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules. The committee comprises three independent non-executive directors, namely Mr. Liu Hongru, Mr. Chan Wai Dune and Mr. Ting Leung Huel, Stephen, and two executive directors, namely Mr. Lin Xizhong (chairman) and Mr. Xu Huizhong (president). Mr. Ting Leung Huel, Stephen is the chairman of the remuneration committee. The remuneration committee is principally responsible for formulating and making recommendation to the Board on the Group's policy and structure for all remuneration of the directors of the Company and senior management of the Group.

### **CODE ON CORPORATE GOVERNANCE PRACTICES**

Throughout the period of the six months ended 30 June 2005, the Company has complied with the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules except for the following deviations:

#### **Code Provision A.4.1**

Code A.4.1 stipulates that non-executive directors should be appointed for a specific term, subject to re-election.

All the non-executive directors of the Company do not have a specific term of appointment. However, in accordance with article 101 of the articles of association of the Company, at each annual general meeting, one third of the directors for the time being (except those directors appointed by the Board under article 85 to fill a casual vacancy or as an addition to the Board shall be subject to retirement and shall be eligible for re-election at the first annual general meeting after their appointment), save and except the managing director(s), or, if their number is not three or a multiple of three, then the number nearest one-third, shall retire from office.

#### **Code Provision A.4.2 (last sentence)**

Code A.4.2 (last sentence) stipulates that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

Article 101 of the articles of association of the Company does not require the managing director(s) of the Company to retire from his office at each annual general meeting. Mr. Xu Huizhong, the executive director and president (or managing director) of the Company, had voluntarily retire from his office and was re-elected at the annual general meeting of the Company held on 18 May 2005 notwithstanding that he was not required to do so by the articles of association of the Company.

In order to ensure full compliance with Code A.4.2, a special resolution will be proposed to amend the relevant provisions of the articles of association of the Company at the forthcoming annual general meeting so that every director of the Company shall be subject to retirement by rotation at least once every three years.

#### **Code Provision B.1.4 Note 1**

Code B.1.4 stipulates that the remuneration committee should make available its terms of reference, explaining its role and the authority delegated to it by the Board. Code B.1.4 Note 1 stipulates that the requirement could be met by making it available on request and by including the information on the issuer's website.

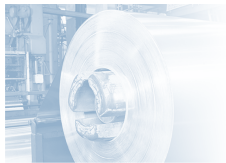
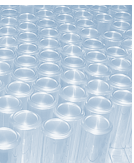
The Company had established a remuneration committee on 11 April 2005 but its terms of reference have not been posted on the Company's website. The construction of the Company's website had been completed on 25 August 2005 and the terms of reference of the remuneration committee were posted on the Company's website on the same date.

#### **Code Provision C.3.3**

Code C.3.3 stipulates that the terms of reference of the audit committee should include at least the duties set out in the Code.

The terms of reference of the audit committee have been revised to incorporate all the duties set out in Code C.3.3 and were approved by the Board on 25 August 2005. They will be posted on the Company's website on 26 August 2005.





## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to the revised Listing Rules which came into effect on 31 March 2004 as its code of conduct regarding securities transactions by directors ("Code of Conduct").

Having made specific enquiry of all the directors of the Company, all of them confirmed that they have complied with the Code of Conduct during the six months ended 30 June 2005.

## CONNECTED PARTY TRANSACTION

During the six months ended 30 June 2005, the Group had the following connected transaction, details of which is set out below:

### Amounts due from connected persons

As disclosed in the Company's announcement dated 16 September 2004, the Company was notified on 26 August 2004 that its ultimate controlling shareholder, China Minmetals Corporation, had become the controlling shareholder of Oriental Shipping & Transportation Company Limited ("OST"), Orientmet Properties Company Limited ("OPC") and Jordan Worldwide Limited ("JWL"). By virtue of these relationships, receivables due from OST, OPC and JWL to the Company were considered as financial assistance provided by the Company and constitutes a connected transaction under Rule 14A.63 of the Listing Rules.

The receivables due from OST, OPC and JWL amounted to approximately HK\$146,634,000 (of which approximately HK\$45,545,000 is the interest charged for the period from 1 January 2000 to 31 December 2004 and has not yet been recognised as income in the Company's accounts), HK\$2,083,000 and HK\$1,186,000 respectively as at 31 December 2004. These receivables have long been outstanding for more than six years and full provisions had been made against them in 2001 when the then controlling shareholder of OST, OPC and JWL was dissolved.

Having considered the history of the receivables, the financial position of OST, OPC and JWL and the recovery rate of the bank creditor in relation to the bank debts as owed by OPC, the Company accepted the repayment of HK\$24,958,937, which was received by the Company on 12 January 2005, as full settlement of the amounts that OST, OPC and JWL owed to the Company.

## BOARD OF DIRECTORS

As at 25 August 2005, the Board comprises four executive directors, namely Messrs. LIN Xizhong (Chairman), XU Huizhong, QIAN Wenchao, and TANG Xiaojin and three independent non-executive directors, namely Messrs. LIU Hongru, CHAN Wai Dune and TING Leung Huel, Stephen.

By order of the Board  
**Xu Huizhong**  
*Director and President*

Hong Kong, 25 August 2005