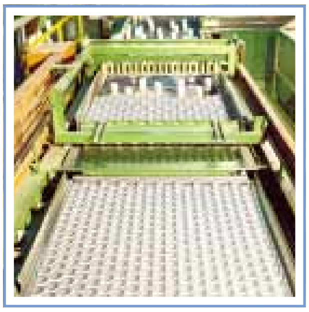
RESULTS

In the year 2002, all aspects of management of the Company showed remarkable improvement. Management team has put more effort in streamlining and reforming works. Administrative costs were strictly controlled and expenses were sharply reduced. However, due to the heavy burden of overdue borrowings, the Company encountered financial difficulties in expanding its trade business. As a result, the Group's turnover decreased to approximately HK$876,000,000. During the year, the Group turned from losses to profits, achieving a profit of approximately HK$20,000,000. It was mainly attributable to the reversal of provisions previously made and a gain on deconsolidation of a subsidiary under liquidation.

BUSINESS REVIEW

Trade Business

In the year 2002, due to the drastic decrease in the prices of the Group's major nonferrous metals products and raw materials and the continual fall in the spot price of alumina (a product which the Group has entered into a long term purchase contract) as well as the financial difficulties encountered by the Company, the Group could not start its trading operations as usual. After negotiation with the supplier, certain shipments of alumina under the long term contract can be deferred to the year 2004. The payment of compensation for the loss in relation to the remaining undelivered shipments can also be deferred to the year 2003. From the end of year 2002 onwards, the price of alumina has been rising continuously. In 2003, the Company's alumina trading business has been resumed and started earning profits.



DIRECT INDUSTRIAL INVESTMENTS

During the year, there was no significant improvement in the performance of the Group's industrial investments. Since full provision had already been made for all major, except one, associated companies in previous years, their losses no longer have effect on the Group's result. The Group's share of profit of the remaining enterprises amounted to approximately HK$11,000,000 for the year.

Aluminium Refinery

North China Aluminium Company Limited, 51% owned by the Group, is one of the largest aluminium foil refineries in the PRC. Its products are supplied to the packaging, transportation, home appliances and the publishing sectors. In 2002, its production capacity was about 40,000 tons, representing a slight increase when compared to last year. Its operating results were also improved. A project of total investment cost of HK$185,000,000 for the modernization and upgrade of aluminium cold mill was started in 2002 and it is expected that the project will be completed by the end of 2003.

The Group operated its aluminium can production and sales business through Zhangzhou International Aluminium Container Company Limited ("Zhangzhou Aluminium"), its 60% owned subsidiary, and Qingdao M.C. Packaging Limited ("Qingdao MC"), its 20% owned associated company. In recent years, the supply has largely outstripped demand for aluminium cans in the PRC, making the whole industry loss-making. In 2002, after discussion and negotiation, major producers of aluminium cans established certain cartel policies to restrict production and reduce competition. The selling price of aluminium cans has already rebounded. Qingdao MC therefore turned from loss into profit.

Copper Refinery and Smelter

The Group's primary investment in copper refinery is mainly made through Changzhou Jinyuan Copper Company Limited ("Changzhou Jinyuan"), of which 25% is directly owned by the Group, Changzhou OrienMet Copper Company Limited ("Changzhou OrienMet"), of which 50% is owned by the Group, Yixing Jinfeng Copper Materials Company Limited ("Yixing Jinfeng"), of which 58% is owned by the Group and Shanghai Jing Bao Copper Foil Limited ("Shanghai Jing Bao"), of which 25% is owned by the Group. Changzhou Jinyuan, Changzhou OrienMet, and Yixing Jinfeng are engaged in copper wires and copper rods businesses. Shanghai Jing Bao is engaged in copper foils business.

Affected by the increase in materials costs and decrease in profit margin, Changzhou Jinyuan's net profit decreased by 38% for the year.

Because of cash flow problem, Yixing Jinfeng's turnover sharply decreased and a loss was recorded.

Changzhou OrienMet has been incurring losses for many years. Its operating performance was very unsatisfactory. Its production has been suspended since 2001. The Group had already made full provision for the investment in and receivables from Changzhou OrienMet. However, in order to safeguard the Group's interest, the Group applied to the court in the PRC in late 2001 to wind up Changzhou OrienMet with a view to collecting the receivables partially and minimizing the loss. In March 2002, the court rejected the application. In May 2002, the Group submitted an objection to a higher court. In Oct 2002, the objection was accepted and the case was returned to the original court to handle. The application is still in processing.

Shanghai Jing Bao defaulted in repaying certain bank loans in July 2002. As a result, the court has taken possession of all its fixed assets. In September 2002, its PRC's shareholder, Shanghai Smelter applied to court for a voluntary winding up (i.e. winding up of Shanghai Smelter itself). Shanghai Smelter was declared bankrupt in November 2002.

However, as the Group had made full provision for the investments in and the receivables from Changzhou OrienMet and Shanghai Jing Bao, and also no guarantee or unfilled capital commitments had been given by the Group, the above situation no longer has an impact on the Group's results.

The Group owns 42% and 30% of Yantai Penghui Copper Industry Company Limited ("Yantai Penghui") and Huludao OrienMet Copper Company Limited ("Huludao OrienMet") respectively. In 2002, the supply shortage of copper in PRC and other countries led to an increase in purchasing costs and the continual loss in operation.

Administrative Expenses

During the year, the Group adopted various cost-saving measures, including streamlining of structure and adjustment on payroll, reducing administrative expenses significantly by 27%.

Other Operating Income

Other operating income of approximately HK$53,000,000 was mainly arising from the decrease in various provisions and the gain on deconsolidation of a subsidiary under liquidation.

Decrease in Provision for a Long-term Purchase Contract

In 2001, a provision of approximately HK$56,000,000 was made in respect of a long-term alumina contract. However, as a result of the growing demand and the upswing in the price of alumina in current months, it was expected that positive contribution will be generated from the future shipments of the contract, therefore the remaining unused provision of approximately HK$44,000,000 was written back.

Gain on Deconsolidation of a Subsidiary under Liquidation

Da Hua Non-Ferrous Metals Company Limited ("Da Hua"), a wholly-owned subsidiary of the Company, received a winding up order in October 2002 as a result of its default in the settlement of a compensation of approximately HK$21,000,000. The compensation was related to a trading transaction made in 1995.

Since Da Hua has ceased trading for many years and the Company does not have guarantee or unfulfilled capital commitment to it, the liquidation of which would not cause any material adverse impact to the Group. On the contrary, as its net liabilities had already been consolidated into the Group's accounts in previous years, the deconsolidation of Da Hua in current year as a result of its liquidation brought an accounting profit of approximately HK$30,000,000 to the Group.

Interest Expense

During the year, interest expense decreased by 11% because of the fall in interest rates.

Financial Resources and Cash Flow

During the year, the net cash generated by the Group from operating activities amounted to approximately HK$35 million (2001: HK$22 million). The net cash used in investing activities amounted to approximately HK$58 million (2001: HK$33 million). The net cash generated from financing activities amounted to approximately HK$62 million (2001: HK$4 million). The cash and cash deposits of the Group increased by approximately HK$39 million (2001: decreased by HK$6 million).

As at 31st December, 2002, the Group had cash in hand and cash deposits of HK$99,000,000 (all are unpledged except for a Renminbi deposit of HK$3,000,000), of which 27% and 72% were denominated in US dollars and Renminbi respectively, and the remaining was in Hong Kong dollars. The Renminbi deposits of the Group were mainly used for the operations of the industrial investments in Mainland China, particularly for the modernization and upgrade of the aluminium cold mill. The total investment of the project is approximately HK$185,000,000. A total sum of HK$43,000,000 was already incurred in 2002. It is estimated that the project will be completed by the end of 2003. The remaining investment cost will be financed by bank borrowings and internal funds. As a result of the resumption of the Group's alumina trading business in 2003, the liquidity problem can be gradually improved. During the negotiation period of the debt restructuring, on the condition that no repayment of the overdue bank loans and interest is made, the Group can have sufficient funds to meet its daily operation.

As at 31st December, 2002, the Group's total outstanding bank loans amounted to HK$808,000,000 (HK$404,000,000 at floating interest rate and the remaining at fixed interest rate), of which approximately HK$176,000,000 was repayable after one year. Of the total bank loans, 46% was denominated in US dollars and the remainder in Renminbi. The total bank loans increased by approximately HK$48,000,000 when compared to 2001. The increase was mainly from the bank loans in Mainland China. The proceeds were used as working capital and for machinery modernization.

As at 31st December, 2002, the Group's overdue bank loans amounted to approximately HK$389,000,000, which included a syndicated loan of approximately HK$111,000,000. In July 2002, all the bank creditors of the Company in Hong Kong formed a steering committee, with The Hong Kong and Shanghai Banking Corporation Limited ("HSBC") acted as the liaison bank, to consider debt restructuring matters of the Group. In January 2003, the banks of the syndicated loan have obtained a judgement from the court in respect of their claims for a sum of approximately HK$115,000,000 (including loan principal and interest). They are now in discussion with other Hong Kong banks of the Group regarding the debt restructuring. No further legal action has yet been taken. HSBC indicated that the banks are still considering the debt restructuring proposal. However, no further information can be disclosed at the present moment.

The Group's bank loans amounting to HK$389,000,000 were secured by the Group's fixed assets with a net book value of HK$213,000,000 as at 31st December, 2002.

The Group has not entered into any foreign exchange contracts or related hedges as the foreign currency risk exposure is minimal. The Group will continue to adhere to its prudent policy on financial risk management of currency exposures.

Since 31st December, 2001, the Group was in net liability position, the bank debt to equity ratio, which is measured as total bank loans (net of cash balances) as a proportion of shareholders' equity, has not been presented.

Contingent Liabilities

As at 31st December, 2002, the Company provided corporate guarantees to a financial institution in respect of banking facilities extended to an associated company amounting to approximately HK$24,000,000 (2001: HK$24,000,000). The guarantee is valid up to the end of 2003.

As at 31st December, 2002, the Company had unsettled tax payables in respect of certain properties in the Mainland China 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. However, the potential additional charges are not expected to exceed HK$4,000,000 (2001: HK$12,000,000).

Employees

As at 31st December, 2002, the Group employed 2,261 staff (not including the staff of the associated companies). The total staff cost (including the directors' emoluments) for the year was HK$45,000,000. The Group adopted a pay policy in line with market practice, and remuneration was determined with reference to the performance and experience of individual employees. In addition, share option scheme and discretionary bonuses are granted to eligible staff based on their performance.

The Group is also aware of the importance of quality management and specialist expertise as key factors in achieving corporate success. Various forms of professional training are provided to employees at different levels as and when required.

By Order of the Board
Xu Huizhong
Director and President

Hong Kong, 17th April, 2003