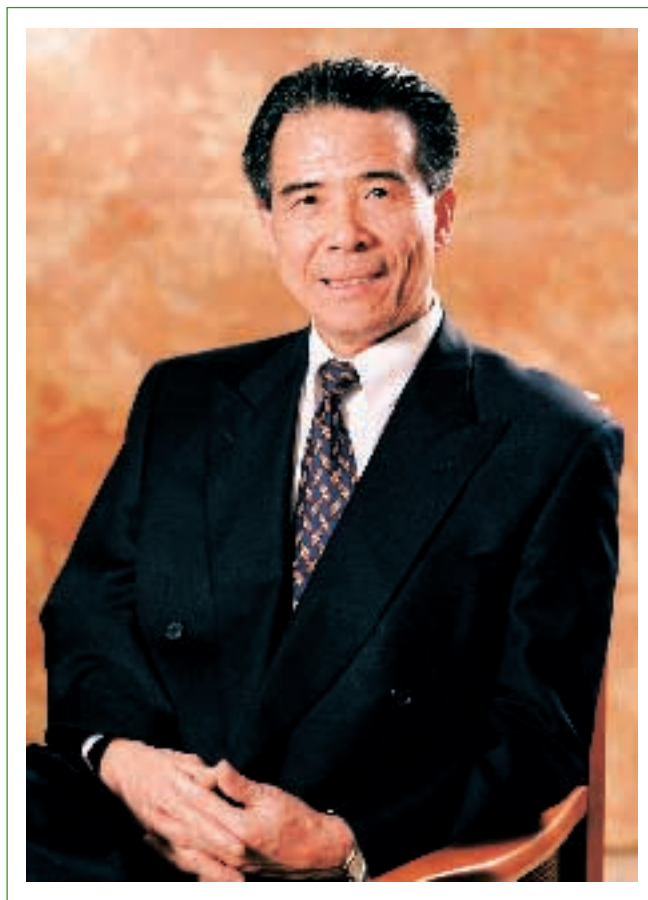


The year 2003 was a turning point of the Company's development. After facing years of financial turmoil, the Company finalized its debt and capital restructuring proposals during the year, with substantial improvement in its performance.

On 15th October, 2003, China Minmetals H.K. (Holdings) Limited ("Minmetals HK"), a subsidiary of China Minmetals Corporation ("Minmetals") (formerly China National Metals & Minerals Import & Export Corporation), entered into a series of agreements regarding the acquisition of a controlling stake in Oriental Metals. The signing of the agreements signified the beginning of the final stage of the Company's proposal to introduce a new controlling shareholder and to restructure its debt and capital structure. The restructuring proposal was completed on 12th January, 2004 and Minmetals HK has become the controlling shareholder of the Company.



Mr. Lin Xizhong
Chairman

Minmetals is the pillar state-owned enterprises under the direct supervision of the State-Owned Assets Supervision and Administration Commission of the State Council of the People's Republic of China ("PRC"), and is a large conglomerate with a history of over half a century. Minmetals is also the largest importer and exporter of steels, nonferrous metals and mineral products in the PRC.

Minmetals HK is a wholly owned subsidiary of Minmetals in Hong Kong and has been involved in the trading of metals, financial investment businesses and property development for over two decades.

The introduction of Minmetals HK as the Company's controlling shareholder enables the Company to continue to operate as an ongoing concern. In the past few years, the Company suffered from substantial liabilities. After years of heavy losses, the Company faced with a significant shortage of cash flow. The original controlling shareholder of the Company was also in liquidation. Without

the capital injection from the new controlling shareholder, the Company would most likely be forced to go into liquidation.

The financial position of the Company has been greatly improved after the completion of the acquisition of its controlling stake by Minmetals HK and the restructuring. In January 2004, Oriental Metals had restored to a positive net asset value position as opposed to a net deficit prior to the completion of the restructuring. The Company has been relieved of overdue bank borrowing and the issue of insufficient cash flow, such relief helps to expedite the development of the Company's trading business.

After five consecutive years of losses, the Company returned to the black in the year 2002. Despite the severe financial pressure on the Company in 2003, it managed to achieve a profit of approximately HK\$89 million, which indicated the Company's business had begun to return to stable development.

The continued upsurge in the results of the Company was mainly attributed to the resumption of alumina trading in the first quarter of 2003. There has been a strong demand for alumina since the beginning of 2003. Following reaching a trading debt settlement with its supplier in 2002, the Company was able to continue a long-term contract entered in 1999, which assured the Company with sufficient alumina supply. This had helped the Company to achieve stable growth in its performance.

As for the Company's direct industrial investments, stimulated by increasing demand for aluminium refining products in the PRC, the Company noticed improvement in the sales and operating environment of each of the aluminium refinery factory. Due to stable demand for copper wires and increase in output, the Company's Copper wires business remained stable. As a result of the shortage of raw materials and low processing fee, the gross profit margins of the Company's copper smelter factories were affected.

In light of heavy debt-burden and severe market competition, the operating environment of a few enterprises invested by the Company got worse. Some of these enterprises may have to be wound up. As the Company has already fully provided for the under-performed investment projects, it is expected that the above-mentioned financial problems of the industrial investments would not have any significant impact on the overall operation of Oriental Metals. The termination of investment in those under-performed projects would allow the Company to effectively reallocate its resources to metals trading and other businesses, which have enormous growth potential.

FUTURE OUTLOOK

The continued economic development in the PRC has led to rapid growth in industrial and infrastructural investments, which has in turn driven the substantial upsurge in the demand for various types of metals.

In 2004, the Company will continue to expand its trading business and strengthen the management of its invested enterprises. With the continued improvement in its financial position, the Company will fully capitalise on its potential advantages derived from the synergies between its trading and industrial investments, to further enlarge its trading volume.

Minmetals HK and its parent company have an extensive and diversified business portfolio, as well as a broad commercial network and abundant resources. These elements are expected to play a positive role in the Company's long-term development.

In addition to the existing businesses of nonferrous metals trading and refinery, the Company will strive to further explore the opportunities in upstream resources and downstream refinery in order to achieve and strengthen its competitiveness through vertical integration and to enhance the Company's profitability. However, the Company does not have a concrete investment plan at this stage.

We will dedicate to further strengthening the Company's corporate governance and to increasing its transparency. We are also committed to continued enhancement of the Company's operation efficiency and the return on assets, in order to generate reasonable returns to shareholders and maximize shareholder's value.

The Company had encountered immense difficulties during the past few years. Without the dedication and commitment of staff from all levels, the Company would not have been able to overcome the challenges and build a foundation for the Company's future business development. I would therefore like to extend appreciation to all of our staff. I would also like to express my deepest gratitude to our shareholders, creditors and business partners for their continued support and understanding during the past few years.

By order of the Board

Lin Xizhong

Chairman

16th April, 2004