RESULTS

With the nonferrous metals market continued to remain favourable, the Group attained substantial improvement in its results in 2003. Furthermore, at the beginning of 2004, the Group completed its debt and capital restructuring, resolved a prolonged problem affecting the Group – the overdue bank loans problem, and successfully restored into a positive net assets position.

Group's turnover and profit showed a remarkable increase in the year of 2003. The consolidated turnover of the Group for the year increased by 56% to approximately HK$1,363 million. Consolidated profit attributable to shareholders for the year increased by 353% to approximately HK$89 million. These encouraging results were mainly attributable to the overall improvement in both the trading operation and direct industrial investments.

BUSINESS REVIEW

Trading Operation

The Group resumed its trading operation in 2003, with alumina as its main products. During the year under review, nonferrous metals trading accounted for approximately 22% of the Group's total turnover.

In 2003, the international and PRC alumina markets followed the same trend as those at the end of 2002, exhibiting a shortage of supply and a gradual increase in product price situation. Price of alumina soared from about US$190 to US$210 per metric tonnes at the beginning of 2003 to about US$320 to US$350 per metric tonnes at the end of 2003, with over 60% increase. For that reason, the profit margin for the Group's alumina trading business could be maintained at a high level. The trading volume of alumina was approximately 140,000 metric tonnes for the year.

Direct Industrial Investments

The Group's direct industrial investments mainly included aluminium refinery, copper refinery and plica tube operations. Stimulating by the increase in demand for nonferrous metals in Mainland China, the overall performance of the Group showed significant improvement when compared to the preceding year. In 2003, the total turnover of the Group's direct industrial investments accounted for approximately 78% of the Group's total turnover, contributing a profit of approximately HK$25 million to the Group, an increase of 121% over last year. The performance of the direct industrial investments, which principally affected the Group's results for the year, is analysed as follows:

Aluminium Refinery

North China Aluminium Company Limited ("NCA")

The Group owns 51% interest in NCA. NCA mainly engaged in the production and sales of aluminium foils and extrusions. Its products were supplied to the packaging, transportation, home appliances and publishing sectors. NCA, by expanding its sales and optimizing its product mix, achieved growth in both turnover and profit before tax in 2003. Its trading volume increased 14% to approximately 48,000 metric tonnes.

To cope with its business development and to expand production capacity, NCA implemented a project with total investment cost of approximately HK$185 million for the modernization and upgrade of aluminium cold mill. Trial run already started before the end of year 2003. It is expected that when full-scale production is in use, the production capacity of NCA can be boosted up to 60,000 metric tonnes per annum, further strengthening NCA's earning power.

Copper Refinery and Plica Tube Production

Yinkou Orienmet Plica Tube Company Limited ("YOPT")

The Group owns 51% interest in YOPT. YOPT mainly engaged in the production and sales of plica tubes. By exploring new market, YOPT's trading volume increased by 21% to 1.7 million metre. Its profit also showed notable increment during the year.

Changzhou Jinyuan Copper Company Limited ("CZJY")

The Group owns 25% interest in CZJY. CZJY mainly engaged in copper wires business. During the year, CZJY adopted various measures, including market development, lowering of purchasing and finance costs and products quality enhancement, to maintain sales and profit growth. Compared to last year, the Group's share of profit in CZJY increased by approximately 68%.

Discontinuing Operation

Zhangzhou International Aluminium Container Company Limited ("ZIAC")

The Group owns 60% interest in ZIAC. ZIAC mainly engaged in the production and sales of aluminium cans. Over the past few years, the supply of aluminium cans greatly outstripped its demand in the Mainland China, resulting in unhealthy competition among different producers. Although major aluminium can producers established cartel policies in 2002 to restrict production, the imbalance situation of supply and demand still has not been fully reverted. In addition, ZIAC remained in financial difficulties. Therefore, its outlook is considered gloomy and no sign of recovery is expected in the foreseeable future.

According to ZIAC's joint venture agreement, its joint venture period will expire in September 2004. As disclosed in the Company's announcement dated 15th April, 2004, shareholders representing in aggregate 85% of the registered capital of ZIAC had filed an application to the relevant PRC government authority in respect of the winding-up of ZIAC prior to the expiration of its joint venture agreement. As ZIAC only accounted for less than 6% of the Group's total turnover, the discontinuance of its operation would not have material impact on the Group's business and operations. On the contrary, the Group can relieve the burden of sharing its net liabilities.

Financial Resources and Cash Flow

With the resumption of the alumina trading business in 2003, the Group's working capital showed prominent improvement. Besides, the restructuring of the Group, which was completed in the beginning of 2004, also substantially reduced its debts burden. The Group's financial position now became stronger and more stable.

During the year, the net cash generated by the Group from operating activities amounted to approximately HK$197,000,000 (2002: HK$35,000,000). The net cash used in investing activities amounted to approximately HK$120,000,000 (2002: HK$58,000,000). The net cash used in financing activities amounted to approximately HK$32,000,000 (2002: net cash from financing HK$62,000,000). The cash and cash deposits of the Group increased by approximately HK$45,000,000 (2002: HK$39,000,000).

As at 31st December, 2003, the Group had cash in hand and cash deposits of approximately HK$151,000,000 (all are unpledged except for the Renminbi deposits of approximately HK$10,000,000), of which 61% and 37% were denominated in US dollars and Renminbi respectively, while the remaining was in Hong Kong dollars.

As at 31st December, 2003, the Group's total outstanding bank loans amounted to HK$775,000,000 (HK$379,000,000 at floating interest rate and the remaining at fixed interest rate), of which HK$137,000,000 was repayable after one year. Of the total bank loans, 51% was denominated in Renminbi, 27% was denominated in Hong Kong dollars and the remaining was in US dollars. The total bank loans decreased approximately HK$33,000,000 when compared to 2002, which is mainly due to the decrease in bank borrowings of the PRC subsidiaries.

As at 31st December, 2003, the Group's overdue bank loans amounted to approximately HK$389,000,000, of which approximately HK$379,000,000 was due to banks in Hong Kong. Upon the completion of the Group's restructuring on 12th January, 2004, the loans owed to banks in Hong Kong were purchased by the Company's new shareholder and the overdue bank loans problem of the Group was basically resolved. The remaining overdue bank loans of approximately HK$10,000,000 were due by the PRC subsidiaries to the banks in Mainland China.

As at 31st December, 2003, as the Group was still in net liabilities position (after the completion of the Group's restructuring on 12th January, 2004, the Group restored back to net assets), the bank debt to equity ratio, which is measured as the total bank loans (net of cash balances) as a proportion of shareholders' equity, has not been presented.

Capital Expenditure

During the year, the Group's total capital expenditure was approximately HK$123,000,000, which was mainly used for the modernization and upgrade of the aluminium cold mill and foundry machine. The amount was primarily financed by bank borrowings and internal funds.

Foreign Currency Risk

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

Change in Interests in Subsidiaries and Associated Companies

In 2002, the Group applied to the PRC court for the winding up of Changzhou Orienmet Copper Company Limited ("CZOM"), an associated company as to 50% owned by the Group. At 17th October, 2003, CZOM was judged as insolvent by the PRC court and its winding up process was finished. Since CZOM owned 45% interest in CZJY, its winding up also caused the Group lose its 22.5% indirect interest in CZJY.

However, since the Group had already made full provisions against the investment in and amounts due from CZOM (including the 22.5% indirect interest in CZJY made through CZOM), the winding up of CZOM did not have impact on the Group's result for current year.

Except for those disclosed above, the Group did not have material acquisition or disposal of subsidiaries and associated companies during the year.

Debt and Capital Restructuring

During the year under review, the Group underwent a restructuring, which principally included the disposals of certain debts of the Group, the issue of shares to a new shareholder and capital reduction. Details of which were set out in the circular dated 6 November 2003 jointly made by the Company, Coppermine Resources Limited ("Coppermine") and China Minmetals H.K. (Holdings) Limited ("Minmetals HK"). The Group's restructuring was approved by shareholders in the extraordinary general meeting held on 3rd December, 2003 and was completed on 12th January 2004. Its major effects are as follows:

(1) The Group restored to a positive net asset value position and eliminated an aggregate debts amount of approximately HK$467,000,000 (the corresponding amount as at 31st December 2003 was approximately HK$466,000,000).

(2) The issued share capital of the Company was changed to HK$30,367,481, divided into 607,349,612 ordinary shares (of which 475,376,917 ordinary shares were issued to Coppermine on 12th January 2004) of HK$0.05 each. The authorised share capital remained unchanged at HK$300,000,000.

(3) Coppermine, a wholly-owned subsidiary of Minmetals HK, became the controlling shareholder of the Company and owned approximately 78.3% interest in the Company.

By way of a placement made on 20th January 2004, Coppermine reduced its interest in the Company to approximately 75.0% and the public float of the Company was restored.

Employees

As at 31st December, 2003, the Group employed approximately 2,500 staff (not including the staff of the associated companies). The total staff cost (including the directors' emoluments) for the year was approximately HK$48,000,000. 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 and discretionary bonuses will also be granted to eligible staff based on their performance. The Group is also aware of the importance of quality management and specialist expertise 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, 16th April, 2004