

1. ORGANISATION AND OPERATIONS

Oriental Metals (Holdings) Company Limited (the "Company") was incorporated in Hong Kong on 29th July, 1988.

The Company is an investment holding company. Its subsidiaries and associated companies are principally engaged in the sales and manufacturing of nonferrous metals and related products.

On 6th November, 2003, the Company, together with Coppermine Resources Limited ("Coppermine"), a company incorporated in the British Virgin Islands, and China Minmetals H.K. (Holdings) Limited ("Minmetals HK"), a company incorporated in Hong Kong, jointly issued a circular to the Company's shareholders in relation to a proposed debt restructuring (the "Debt Restructuring") of the Group. Pursuant to which, Coppermine, a wholly owned subsidiary of Minmetals HK, agreed to acquire debts, including interest, owed by the Company to (i) China Nonferrous Metals Group (Hong Kong) Limited ("CNMG"), a shareholder of the Company, of approximately HK\$4,930,000, (ii) China Nonferrous Metals (Hong Kong) Finance Company Limited, a wholly owned subsidiary of CNMG, of approximately HK\$41,355,000, and (iii) certain banks in Hong Kong of approximately HK\$420,428,000 for a total consideration of approximately HK\$104.5 million. In this connection, the Company issued approximately 475,377,000 new shares with nominal value of HK\$0.05 each (after the adjustment for the share consolidation and the share reduction as disclosed in Note 29) at HK\$0.88 each, totaling approximately HK\$418,332,000, to Coppermine to set off against the Company's debts purchased by Coppermine under the Debt Restructuring. The remaining balance of approximately HK\$48,381,000 owed by the Company to Coppermine was then waived by Coppermine. On 12th January, 2004, the Company announced that the Debt Restructuring was completed and Coppermine has become the major controlling shareholder of the Company since then. Upon completion of the Debt Restructuring, the corresponding current liabilities and deficit on shareholders' funds of the Group as at 31st December, 2003 were both reduced by HK\$466,095,000.

Subsequent to the completion of Debt Restructuring, the directors believe that the Group already has adequate funding to meet the Group's financial obligations as and when they fall due. Accordingly the accounts have been prepared on a going concern basis.

2. PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these accounts are set out below:

(a) Basis of preparation

The accounts have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Society of Accountants ("HKSA"). They have been prepared under the historical cost convention except that, as disclosed in the accounting policies below, certain land and buildings are stated at revalued amounts.

In the current year, the Group adopted Statement of Standard Accounting Practice ("SSAP") 12 "Income Taxes" issued by the Hong Kong Society of Accountants which is effective for accounting periods commencing on or after 1st January, 2003.

The adoption of the revised accounting standard does not have a material impact on the accounts for the year ended 31st December, 2003 and the accounts for prior accounting periods.

(b) Group accounting

(i) Consolidation

The consolidated accounts include the accounts of the Company and all its subsidiaries made up to 31st December.

Subsidiaries are those entities in which the Company, directly or indirectly, controls the composition of the board of directors, controls more than half the voting power or holds more than half of the issued share capital.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated profit and loss account from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All significant intercompany transactions and balances within the Group are eliminated on consolidation.

The gain or loss on the disposal of a subsidiary represents the difference between the proceeds of the sale and the Group's share of its net assets together with any unamortised goodwill or negative goodwill or goodwill/negative goodwill taken to reserves and which was not previously charged or recognised in the consolidated profit and loss account and any related accumulated foreign currency translation reserve.

2. PRINCIPAL ACCOUNTING POLICIES *(cont'd)*

(b) Group accounting *(cont'd)*

(i) Consolidation *(cont'd)*

Minority interests represent the interests of outside shareholders in the operating results and net assets of subsidiaries.

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

(ii) Associated companies

An associated company is a company, not being a subsidiary or a joint venture, in which an equity interest is held for the long-term and significant influence is exercised in its management.

The consolidated profit and loss account includes the Group's share of the results of associated companies for the year, and the consolidated balance sheet includes the Group's share of the net assets of the associated companies and goodwill/ negative goodwill (net of accumulated amortisation) on acquisition.

Equity accounting is discontinued when the carrying amount of the investment in an associated company reaches zero, unless the Group has incurred obligations or guaranteed obligations in respect of the associated company.

Unrealised gains on transactions between the Group and its associated companies are eliminated to the extent of the Group's interest in the associated companies; unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred.

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

2. PRINCIPAL ACCOUNTING POLICIES *(cont'd)*

(b) Group accounting *(cont'd)*

(iii) Translation of foreign currencies

Transactions in foreign currencies are translated at exchange rates ruling at the transaction dates. Monetary assets and liabilities expressed in foreign currencies at the balance sheet date are translated at rates of exchange ruling at the balance sheet date. Exchange differences arising in these cases are dealt with in the profit and loss account.

The balance sheets of subsidiaries and associated companies expressed in foreign currencies are translated at the rates of exchange ruling at the balance sheet date whilst the profit and loss accounts are translated at an average rate. Exchange differences are dealt with as a movement in reserves.

(c) Goodwill/Negative goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net assets of the acquired subsidiary/associated company at the date of acquisition.

Goodwill on acquisitions occurring on or after 1st January, 2001 is included in intangible assets and is amortised using the straight-line method over its estimated useful life.

Goodwill on acquisitions that occurred prior to 1st January, 2001 was eliminated against reserves. Any impairment arising on such goodwill is accounted for in the consolidated profit and loss account.

Negative goodwill represents the excess of the fair value of the Group's share of the net assets acquired over the cost of acquisition.

For acquisition after 1st January, 2001, negative goodwill is presented in the same balance sheet classification as goodwill. To the extent that negative goodwill relates to expectations of future losses and expenses that are identified in the Group's plan for the acquisition and can be measured reliably, but which do not represent identifiable liabilities at the date of acquisition, that portion of negative goodwill is recognised in the consolidated profit and loss account when the future losses and expenses are recognised. Any remaining negative goodwill, not exceeding the fair values of the non-monetary assets acquired, is recognised in the profit and loss account over the remaining useful lives of those assets; negative goodwill in excess of the fair values of those non-monetary assets is recognised in the consolidated profit and loss account immediately.

2. PRINCIPAL ACCOUNTING POLICIES *(cont'd)***(c) Goodwill/Negative goodwill** *(cont'd)*

For acquisitions prior to 1st January, 2001, negative goodwill was taken directly to reserves on acquisition.

(d) Fixed assets**(i) Properties**

Properties are interests in land and buildings and are stated at cost or their revalued amounts, being their fair values at the date of revaluation, less accumulated depreciation and accumulated impairment losses.

The Group has taken advantage of the transitional provisions set out in paragraph 80 of SSAP 17, "Property, Plant and Equipment" issued by the HKSA, with the effect that certain land and buildings are stated at their revalued amounts, which were determined prior to 30th September, 1995 and have not been updated to reflect their fair values at the balance sheet date.

(ii) Other fixed assets

Other fixed assets, comprising leasehold improvements, plant and machinery, office equipment, furniture and fixtures and motor vehicles are stated at cost less accumulated depreciation and accumulated impairment losses.

(iii) Construction in progress

Construction in progress is stated at cost. Cost includes all attributable costs of bringing the asset to working condition for its intended use. This includes direct costs of construction as well as interest expense capitalised during the period of construction and installation. Capitalisation of these costs will cease and the construction in progress is transferred to fixed assets when the construction activities necessary to prepare the assets for their intended use are completed. No depreciation is provided in respect of construction in progress.

2. PRINCIPAL ACCOUNTING POLICIES *(cont'd)*

(d) Fixed assets *(cont'd)*

(iv) Depreciation

Leasehold land is stated at cost or revalued amount less accumulated amortisation and impairment losses. It is amortised over the remaining period of the lease. Other fixed assets are depreciated at rates sufficient to write off their cost less accumulated impairment losses over their estimated useful lives on a straight-line basis. The principal annual rates are as follows:

Buildings	2 – 5%
Leasehold improvements	20%
Plant and machinery	6 – 14%
Office equipment	20%
Furniture and fixtures	20%
Motor vehicles	33%

Major costs incurred in restoring fixed assets to their normal working condition are charged to the profit and loss account. Improvements are capitalised and depreciated over their expected useful lives to the Group.

(v) Impairment and gain or loss on sale

At each balance sheet date, both internal and external sources of information are considered to assess whether there is any indication that fixed assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated and where relevant, an impairment loss is recognised to reduce the asset to its recoverable amount. Such impairment losses are recognised in the profit and loss account except where the asset is carried at valuation and the impairment loss does not exceed the revaluation surplus for the same asset, in which case it is treated as a revaluation decrease.

The gain or loss on disposal of a fixed asset is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the profit and loss account. Any revaluation reserve balance remaining attributable to the relevant asset is transferred to retained earnings and is shown as a movement in reserves.

(e) Government grants

A government grant is recognised as deferred income, when there is reasonable assurance that the Group will comply with the conditions attaching with it and that the grant will be received.

2. PRINCIPAL ACCOUNTING POLICIES *(cont'd)***(e) Government grants** *(cont'd)*

Grants relating to income are deferred and recognised in the profit and loss account on a systematic basis to match with the related costs which they are intended to compensate.

Government grants relating to the purchase of fixed assets are included in non-current liabilities as deferred income and are credited to the profit and loss account on a straight-line basis over the expected useful lives of the related assets.

(f) Investment securities

Investment securities are stated at cost less any provision for impairment losses.

The carrying amounts of individual investments are reviewed at each balance sheet date to assess whether the fair values have declined below the carrying amounts. When a decline other than temporary has occurred, the carrying amount of such securities will be reduced to the fair value. The impairment loss is recognised as an expense in the profit and loss account. This impairment loss is written back to the profit and loss account when the circumstances and events that led to the write-downs or write-offs cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future.

(g) Inventories

Inventories comprise stocks and work in progress and are stated at the lower of cost and net realisable value. Cost, calculated on the weighted average basis, comprises materials, direct labour and an appropriate proportion of all production overhead expenditure. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

(h) Accounts receivable

Provision is made against accounts receivable to the extent they are considered to be doubtful. Accounts receivable in the balance sheet are stated net of such provision.

(i) Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks, cash investments with a maturity of three months or less from date of investment and bank overdrafts.

2. PRINCIPAL ACCOUNTING POLICIES (cont'd)

(j) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

(k) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave and long-service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long-service leave as a result of services rendered by employees up to the balance sheet date.

(ii) Pension obligations

The Group participates in a number of defined contribution pension plans, the assets of which are generally held in separate trustee – administered funds. The pension plans are generally funded by payments from employees and by the relevant Group companies.

The Group's contributions to the defined contribution pension scheme are expensed as incurred and are reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions.

(l) Deferred taxation

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the accounts. Taxation rates enacted or substantively enacted by the balance sheet date are used to determine deferred taxation.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

In prior years, deferred taxation was accounted for at the current taxation rate in respect of timing differences between profit as computed for taxation purposes and profit as stated in the accounts to the extent that a liability or an asset was expected to be payable or recoverable in the foreseeable future. Since the adoption of this revised SSAP has no material impact on the Group's accounts in prior accounting periods, comparative figures have not been restated.

2. PRINCIPAL ACCOUNTING POLICIES (cont'd)

(m) Contingencies

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the accounts. When a change in the probability of an outflow occurs so that the outflow becomes probable, it will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group.

Contingent assets are not recognised but are disclosed in the notes to the accounts when an inflow of economic benefits is probable. When the inflow is virtually certain, an asset is recognised.

(n) Revenue recognition

Revenue from the sale of goods is recognised on the transfer of risks and rewards of ownerships, which generally coincides with the time when the goods are delivered to customers and title has passed.

Income from the provision of sub-contracting services is recognised when related services are rendered.

Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

(o) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset.

All other borrowing costs are charged to the profit and loss account in the year in which they are incurred.

2. PRINCIPAL ACCOUNTING POLICIES *(cont'd)*

(p) Operating leases

Leases where substantially all the risks and rewards of ownership of assets remain with the leasing company are accounted for as operating leases. Payments made under operating leases net of any incentives received from the leasing company are charged to the profit and loss account on a straight-line basis over the lease periods.

(q) Segment reporting

In accordance with the Group's internal financial reporting the Group has determined that business segments be presented as the primary reporting format and geographical segments as the secondary reporting format.

Unallocated costs represent corporate expenses. Segment assets consist primarily of fixed assets, inventories, receivables and operating cash, and mainly exclude investment securities. Segment liabilities comprise operating liabilities and exclude items such as taxation and certain corporate borrowings. Capital expenditure mainly comprises additions to fixed assets and construction in progress, including additions resulting from acquisitions through purchases of subsidiaries.

In respect of geographical segment reporting, sales are based on the country in which the customer is located. Total assets and capital expenditure are where the assets are located.

3. TURNOVER, REVENUE AND SEGMENT INFORMATION

The Group is principally engaged in the trading of nonferrous metals and the manufacturing and distribution of aluminium and copper products. Revenues recognised during the year are as follows:

	2003 HK\$'000	2002 HK\$'000
Turnover		
Sales of goods, net of value-added tax, returns and discounts	<u>1,363,072</u>	<u>875,676</u>
Other revenues		
Sales of by-products	1,148	635
Service income	3,135	1,983
Interest income	<u>690</u>	<u>391</u>
	<u>4,973</u>	<u>3,009</u>
Total revenues	<u>1,368,045</u>	<u>878,685</u>

(a) Primary reporting format – Business segments

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

Trading:	Trading of nonferrous metals
Aluminium refinery:	Production and sale of aluminium foil and extrusions, aluminium cans and containers and packaging products
Copper refinery and plica tubes production:	Production and sale of plica tubes, copper rods, copper wires, copper cathodes and copper blisters

3. TURNOVER, REVENUE AND SEGMENT INFORMATION (cont'd)

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

There are no sales or other transactions between the business segments.

	Continuing operations								Discontinuing operation		Total	
	Trading		Aluminium refinery		Copper refinery and plica tubes production		Corporate and others		Aluminium cans production			
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
REVENUES												
Sales and manufacturing of nonferrous metals and related products	296,470	-	959,292	763,538	30,478	48,661	-	-	76,832	63,477	1,363,072	875,676
OTHER REVENUES	1	81	3,558	1,351	913	635	251	902	250	40	4,973	3,009
RESULTS												
Segment results	100,355	37,510	27,171	34,038	3,819	1,292	(23,476)	(3,408)	10,572	4,305	118,441	73,737
Finance costs	(9,481)	(10,029)	(13,994)	(20,045)	(1,008)	(1,899)	(9,527)	(14,932)	(4,185)	(5,179)	(38,195)	(52,084)
Share of profits less losses of associated companies	-	-	1,114	470	10,207	5,381	-	-	-	-	11,321	5,851
Taxation	7,009	-	1,489	(1,558)	(1,709)	(308)	(319)	(621)	-	-	6,470	(2,487)
Minority interests	-	-	-	-	-	-	-	-	-	-	(8,835)	(5,341)
Profit attributable to shareholders											89,202	19,676
OTHER INFORMATION												
Segment assets	105,059	12,468	894,337	860,031	23,795	23,336	3,648	2,604	34,757	36,323	1,061,596	934,762
Interests in associated companies	-	-	6,941	7,622	41,180	57,359	-	-	-	-	48,121	64,981
Total assets											1,109,717	999,743
Segment liabilities	21,403	33,853	554,564	499,087	39,263	46,815	488,795	502,756	102,340	110,294	1,206,365	1,192,805
Capital expenditures	-	-	122,176	61,572	-	425	418	93	35	383	122,629	62,473
Depreciation	5	7	40,431	43,479	1,056	412	327	157	4,415	9,445	46,234	53,500
Impairment losses recognised in profit and loss account	-	-	3,412	1,882	651	-	(1,916)	1,359	-	-	2,147	3,241

3. TURNOVER, REVENUE AND SEGMENT INFORMATION *(cont'd)*

(b) Geographical segments

The Group's activities are conducted predominately in Mainland China (the "PRC"), Europe and America.

There are no sales between the geographical segments.

	PRC		Europe		America		Hong Kong		Others		Total	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
External revenue	1,141,784	851,316	132,444	-	64,289	1,002	774	4,636	23,781	18,722	1,363,072	875,676
Contribution to gross profit	157,979	104,764	50,762	-	21,218	56	94	576	2,732	3,084	232,785	108,480
Segment assets	992,727	995,631	-	-	-	-	116,990	4,112	-	-	1,109,717	999,743
Capital expenditures	122,211	62,380	-	-	-	-	418	93	-	-	122,629	62,473

4. DISCONTINUING OPERATION

On 15th April, 2004, the Group announced that certain investors of Zhangzhou International Aluminium Container Company Limited ("ZIAC"), a 60% owned subsidiary of the Group engaging in the manufacturing of aluminium cans, had filed an application to the relevant PRC government authority to wind-up its business prior to the expiration of its joint venture period in September 2004. The operating results of ZIAC are reported in these accounts as a discontinuing operation. The sales, results, cash flows and net assets of ZIAC as at and for the year ended 31st December, 2003 are as follows:

	2003 HK\$'000	2002 HK\$'000
Turnover	76,832	63,477
Cost of sales	(65,121)	(61,923)
Gross profit	11,711	1,554
Other revenues	250	40
Other income, net	-	138
	11,961	1,732
Selling expenses	(1,341)	(1,422)
Administrative expenses	(3,391)	(2,775)
Other operating income	3,343	6,770
Profit from operations	10,572	4,305
Finance costs	(4,185)	(5,179)
Profit/(loss) before taxation	6,387	(874)
Taxation	-	-
Profit/(loss) after taxation	6,387	(874)
Net operating cash (outflow)/inflow	(201)	6,135
Net investing cash outflow	(35)	(298)
Net financing cash outflow	(2,035)	(3,966)
Total net cash (outflow)/inflow	(2,271)	1,871

4. DISCONTINUING OPERATION (cont'd)

	2003 HK\$'000	2002 HK\$'000
Non-current assets	6,500	10,880
Current assets	28,257	25,443
Total assets	34,757	36,323
Total liabilities	(102,340)	(110,294)
Net liabilities	(67,583)	(73,971)

5. OTHER OPERATING (EXPENSES)/INCOME

	2003 HK\$'000	2002 HK\$'000
(Provision)/reversal of provision for bad and doubtful debts		
– Amounts due from associated companies	(14,571)	(13,957)
– Debtors and prepayments	5,208	(8,734)
Reversal of provision/(provision) for impairment in value of land and buildings	1,194	(1,458)
Provision for impairment in value of fixed assets (other than land and buildings)	(3,412)	(1,882)
Reversal of provision for compensation in respect of outstanding claims and litigations	1,384	6,829
Reversal of provision for impairment in value of investment securities	71	99
Reversal of provision for foreseeable loss on a long-term purchase contract	–	43,806
Gain on deconsolidation of a subsidiary under liquidation	–	29,754
Others	–	(1,342)
	(10,126)	53,115

6. PROFIT FROM OPERATIONS

Profit from operations is determined after charging and crediting the following:

	2003	2002
	HK\$'000	HK\$'000
Charging:		
Depreciation	46,234	53,500
Loss on disposal of fixed assets	579	769
Loss on disposal of construction in progress	1,259	–
Operating lease rentals on land and buildings	1,140	1,088
Auditors' remuneration	1,000	1,200
Exchange loss, net	86	63
	—————	—————
Crediting:		
Reversal of provision for inventory obsolescence	658	338
Interest income	690	391
	—————	—————

7. FINANCE COSTS

	2003	2002
	HK\$'000	HK\$'000
Bank loans wholly repayable within five years	43,304	52,448
Other loans wholly repayable within five years	2,030	1,256
	—————	—————
	45,334	53,704
Less: Interest capitalised in construction in progress	(7,139)	(1,620)
	—————	—————
	38,195	52,084
	—————	—————

The capitalisation rate applied to funds borrowed generally and used for construction in progress is 5.58% per annum.

8. TAXATION

Hong Kong profits tax has been provided at the rate of 17.5% (2002: 16%) on the estimated assessable profit for the year. In 2003, the government enacted a change in the profits tax rate from 16% to 17.5% for the fiscal year 2003/2004.

In accordance with relevant income tax laws and regulations applicable to Sino-foreign equity joint ventures in the PRC, the Group's PRC subsidiaries are exempt from Enterprise Income Tax for two years starting from their first profit-making year, after offsetting tax losses brought forward from the previous five years, if any, followed by a 50% reduction in the tax rate for the immediate next three years.

The tax exemption and reduction period of one of the PRC subsidiaries expired in 2001 and it is currently subject to Enterprise Income Tax at a tax rate of 33%. All other PRC subsidiaries still enjoy full tax exemption for the year ended 31st December, 2003.

The amount of taxation (credited)/charged to the consolidated profit and loss account represents:

	2003 HK\$'000	2002 HK\$'000
Current taxation:		
– Hong Kong profits tax	319	–
– PRC Enterprise Income Tax	4,049	2,179
Deferred taxation relating to the origination and reversal of temporary differences	<u>(12,916)</u>	<u>–</u>
	(8,548)	2,179
Share of taxation attributable to associated companies	<u>2,078</u>	<u>308</u>
Taxation (credits)/charges	<u>(6,470)</u>	<u>2,487</u>

8. TAXATION (cont'd)

The taxation on the Group's profit before taxation differs from the theoretical amount that would arise using the taxation rate of the home country of the Company as follows:

	2003 HK\$'000	2002 HK\$'000
Profit before taxation	<u>91,567</u>	<u>27,504</u>
Calculated at a taxation rate of 17.5% (2002: 16%)	16,024	4,401
Effect of different taxation rates in other countries	2,082	2,256
Income not subject to taxation	(6,257)	(14,599)
Expenses not deductible for taxation purposes	6,076	13,705
Utilisation of unrecognised tax losses	(20,660)	192
Effect of tax exemption	(3,098)	(3,625)
Others	<u>(637)</u>	<u>157</u>
Taxation charge	(6,470)	2,487

9. PROFIT ATTRIBUTABLE TO SHAREHOLDERS

Profit attributable to shareholders is dealt with in the accounts of the Company to the extent of profit of HK\$75,255,000 (2002: loss of HK\$52,082,000).

10. DIVIDENDS

No interim dividend was paid and the directors do not recommend the payment of a final dividend for the year ended 31st December, 2003 (2002: Nil).

11. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the Group's profit attributable to shareholders of approximately HK\$89,202,000 (2002: HK\$19,676,000).

The basic earnings per share is computed based on the weighted average number of 131,972,695 ordinary shares (2002: 131,972,695 ordinary shares) in issue during the year, after adjusting for the share consolidation as disclosed in Note 29.

11. EARNINGS PER SHARE *(cont'd)*

Should the basic earnings per share be computed based on the Group's profit attributable to shareholders of approximately HK\$89,202,000 (2002:HK\$19,676,000) and the weighted average number of 1,319,726,950 ordinary shares (2002:1,319,726,950 ordinary shares), representing the weighted average number of shares before adjusting for the share consolidation as disclosed in Note 29, the basic earnings per share would be HK\$0.068 (2002:HK\$0.015).

No disclosure of diluted earnings per share has been made as there were no potential dilutive shares in existence in 2003 (2002: Nil).

12. STAFF COSTS

	2003 HK\$'000	2002 HK\$'000
Staff costs, including directors' emoluments, consist of:		
Wages and salaries	40,439	37,845
Unutilised annual leave	-	86
Long service payment	19	179
Retirement scheme contributions (see Note 32)	7,687	6,845
	48,145	44,955

13. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

The aggregate amounts of emoluments payable to directors of the Company during the year are as follows:

	2003 HK\$'000	2002 HK\$'000
Executive directors		
Fees	–	–
Salaries and other emoluments	4,112	3,785
Independent non-executive directors		
Fees	610	381
	4,722	4,166

During the year, one director waived emoluments of HK\$650,000 (2002: Nil) and no emoluments were paid or payable by the Group to any director as an inducement to join or as compensation for loss of office.

Emoluments of the directors fell within the following bands:

	Number of directors	
	2003	2002
Nil – HK\$1,000,000	6	11
HK\$1,000,001 – HK\$1,500,000	2	–
HK\$1,500,001 – HK\$2,000,000	1	1
	9	12

13. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (cont'd)**(b) Five highest-paid individuals**

The five individuals whose emoluments were the highest in the Group for the year include three (2002: three) executive directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining two (2002: two) individuals during the year are as follows:

	2003	2002
	HK\$'000	HK\$'000
Salaries and other emoluments	1,157	858
Retirement scheme contributions	45	40
	<hr/>	<hr/>
	1,202	898
	<hr/>	<hr/>

Their emoluments fell within the following band:

	Number of individuals	
	2003	2002
Nil – HK\$1,000,000	2	2
	<hr/>	<hr/>

During the year, no emoluments were paid or payable by the Group to the five highest-paid individuals as an inducement to join or as compensation for loss of office.

14. FIXED ASSETS

(a) The Group

	Land and buildings	Leasehold improve- ments	Plant and machinery	Office equipment	Furniture and fixtures	Motor vehicles	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cost or valuation							
At 1st January, 2003	245,639	1,184	732,906	6,652	18,833	21,329	1,026,543
Additions	-	259	1,389	645	348	732	3,373
Transfer from construction in progress	139	-	214	93	-	62	508
Disposals	-	(390)	(1,018)	(159)	(643)	(4,002)	(6,212)
At 31st December, 2003	245,778	1,053	733,491	7,231	18,538	18,121	1,024,212
Analysis of cost or valuation is as follows:							
At cost	219,628	1,053	733,491	7,231	18,538	18,121	998,062
At valuation - 1994	26,150	-	-	-	-	-	26,150
	245,778	1,053	733,491	7,231	18,538	18,121	1,024,212
Accumulated depreciation and impairment losses							
At 1st January, 2003	124,210	1,167	533,493	4,009	13,656	18,137	694,672
Charge for the year	11,085	67	33,017	271	891	903	46,234
Disposals	-	(388)	(508)	(113)	(481)	(3,696)	(5,186)
(Reversal of)/provision for impairment charge	(1,258)	-	2,967	292	-	154	2,155
At 31st December, 2003	134,037	846	568,969	4,459	14,066	15,498	737,875
Net book value							
At 31st December, 2003	111,741	207	164,522	2,772	4,472	2,623	286,337
At 1st January, 2003	121,429	17	199,413	2,643	5,177	3,192	331,871

14. FIXED ASSETS (cont'd)

(b) The Company

	Land and buildings HK\$'000	Leasehold improve- ments HK\$'000	Furniture and fixtures HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
Cost or valuation					
At 1st January, 2003	26,073	1,182	2,055	2,028	31,338
Additions	–	265	159	–	424
Disposals	–	(390)	(281)	(588)	(1,259)
	<u>26,073</u>	<u>1,057</u>	<u>1,933</u>	<u>1,440</u>	<u>30,503</u>
At 31st December, 2003	26,073	1,057	1,933	1,440	30,503
Analysis of cost or valuation is as follows:					
At cost	4,823	1,057	1,933	1,440	9,253
At valuation – 1994	21,250	–	–	–	21,250
	<u>26,073</u>	<u>1,057</u>	<u>1,933</u>	<u>1,440</u>	<u>30,503</u>
Accumulated depreciation and impairment losses					
At 1st January, 2003	20,019	1,167	1,947	2,028	25,161
Charge for the year	155	70	69	–	294
Disposals	–	(388)	(271)	(588)	(1,247)
Reversal of impairment charge	(1,801)	–	–	–	(1,801)
	<u>18,373</u>	<u>849</u>	<u>1,745</u>	<u>1,440</u>	<u>22,407</u>
At 31st December, 2003	18,373	849	1,745	1,440	22,407
Net book value					
At 31st December, 2003	7,700	208	188	–	8,096
At 1st January, 2003	6,054	15	108	–	6,177

14. FIXED ASSETS (cont'd)

(c) The carrying amounts of land and buildings are analysed as follows:

	The Group		The Company	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Land and buildings				
Held in Hong Kong on				
– long-term leases (over 50 years)	250	292	250	292
Held in the PRC on				
– medium-term leases (10 – 50 years)	103,993	109,369	7,450	5,762
– short-term leases (less than 10 years)	7,498	11,768	–	–
	111,741	121,429	7,700	6,054

(d) Certain land and buildings of the Group and of the Company were revalued at 30th September, 1994 on an open market basis by Debenham Tie Leung, an independent firm of registered professional surveyors and valuers. The Group has taken advantage of the transitional provisions set out in paragraph 80 of SSAP 17, "Property, Plant and Equipment" issued by the HKSA, with the effect that such land and buildings are stated at their revalued amounts, which were determined prior to 30th September, 1995 and have not been updated to reflect their fair values at the balance sheet date, less accumulated depreciation and any impairment losses.

For those land and buildings of the Group and of the Company that were stated at revalued amounts, their carrying amounts that would have been included in the accounts had they been carried at cost less accumulated depreciation and accumulated impairment losses are as follows:

	2003 HK\$'000	2002 HK\$'000
The Group	2,710	1,321
The Company	2,266	888

(e) Certain fixed assets of the Group with a net book value of approximately HK\$258 million (2002: HK\$213 million) are mortgaged to banks to secure certain banking facilities of the Group.

15. CONSTRUCTION IN PROGRESS

	The Group	
	2003	2002
	HK\$'000	HK\$'000
At 1st January	84,892	44,891
Additions	119,256	59,651
Transfer to fixed assets	(508)	(19,650)
Disposals	(1,259)	–
	<u> </u>	<u> </u>
At 31st December	202,381	84,892
	<u> </u>	<u> </u>

During the year, interest expense of approximately HK\$7,139,000 (2002: HK\$1,620,000) was capitalised and included in additions to construction in progress.

16. INVESTMENTS IN SUBSIDIARIES

	The Company	
	2003	2002
	HK\$'000	HK\$'000
Investments at cost		
Unlisted shares/investments	18,943	18,943
Less: Provision for impairment in value	(18,163)	(18,858)
	<u> </u>	<u> </u>
	780	85
	-----	-----
Amounts due from subsidiaries (Note (i))	1,302,831	1,304,210
Less: Provision for doubtful debts	(1,117,794)	(1,114,322)
	<u> </u>	<u> </u>
	185,037	189,888
	-----	-----
Amounts due to subsidiaries (Note (i))	(67,017)	(67,220)
	<u> </u>	<u> </u>
	118,800	122,753
	<u> </u>	<u> </u>

Note:

- (i) The amounts due from/to subsidiaries are unsecured, interest-free and are not repayable within one year.

16. INVESTMENTS IN SUBSIDIARIES (cont'd)

The following is a list of the principal subsidiaries as at 31st December, 2003:

Name of company	Place of incorporation/ operation	Principal activities	Particulars of issued or paid-up capital ¹	Proportion of issued capital held by the Company	
				Directly	Indirectly
Orienmet Aluminium Company Limited	Hong Kong	Nonferrous metals trading	28,800 shares of HK\$100 each	100%	–
Oriental Copper Company Limited	Hong Kong	Nonferrous metals trading	28,800 shares of HK\$100 each	100%	–
Orienmet Minerals Company Limited	Hong Kong	Nonferrous metals trading	1,880,000 shares of HK\$1 each	100%	–
Point Good Limited	Hong Kong	Property holding	2 shares of HK\$1 each	100%	–
Taiway Enterprises Limited	Hong Kong	Property holding	2 shares of HK\$1 each	100%	–
Orienmet Industry Company Limited	Hong Kong	Investment holding	5,000,000 shares of HK\$1 each	100%	–
Oriental Metals Shipping and Transportation Company Limited	Liberia/ Hong Kong	Investment holding	1,000 shares of US\$100 each	100%	–
Goldfair Hong Kong Limited	Hong Kong	Investment holding	10,000 shares of HK\$1 each	–	100%
Golden Hong Kong Limited	Hong Kong	Investment holding	10,000 shares of HK\$1 each	–	100%
Lontic (Hong Kong) Limited	Hong Kong	Investment holding	2 shares of HK\$1 each	–	100%

16. INVESTMENTS IN SUBSIDIARIES (cont'd)

Name of company	Place of incorporation/ operation	Principal activities	Particulars of issued or paid-up capital ¹	Proportion of issued capital held by the Company	
				Directly	Indirectly
Parkfield Far East Limited	Hong Kong	Investment holding	10,000 shares of HK\$1 each	–	100%
Topstart Limited	British Virgin Islands/ Hong Kong	Investment holding	50,000 shares of US\$1 each	–	100%
North China Aluminium Company Limited ²	PRC	Production and sale of aluminium foil and extrusions	Rmb344,800,000	–	51%
Yinkou Orienmet Plica Tube Company Limited ²	PRC	Production and sale of plica tubes	US\$4,000,000	–	51%
Yixing Jinfeng Copper Materials Company Limited ²	PRC	Production and sale of copper wires	US\$2,619,048	–	58%
Zhangzhou International Aluminium Container Company Limited ²	PRC	Production and sale of aluminium cans, container and packaging products	US\$20,000,000	–	60%

¹ The class of shares held is ordinary.

² These are Sino-foreign equity joint ventures registered under the laws of the PRC and their statutory accounts are not audited by PricewaterhouseCoopers.

17. INTERESTS IN ASSOCIATED COMPANIES AND AMOUNTS DUE TO ASSOCIATED COMPANIES

	The Group	
	2003	2002
	HK\$'000	HK\$'000
Share of net assets	<u>42,272</u>	<u>34,671</u>
Amounts due from associated companies (Note (i))	101,668	149,349
Less: Provision for doubtful debts	<u>(95,819)</u>	<u>(119,039)</u>
	<u>5,849</u>	<u>30,310</u>
	48,121	64,981
Amounts due to associated companies (Note (i))	<u>7,250</u>	<u>12,381</u>

Note:

- (i) The balances with associated companies are unsecured and have no fixed terms of repayment. Except for certain amounts due from associated companies of approximately HK\$91 million (2002: HK\$97 million) which bear interest at prevailing market rates, all balances with associated companies are interest-free.

The Group's share of the post-acquisition losses of associated companies as at 31st December, 2003 was approximately HK\$244 million (2002: HK\$254 million).

17. INTERESTS IN ASSOCIATED COMPANIES AND AMOUNTS DUE TO ASSOCIATED COMPANIES *(cont'd)*

Supplementary financial information of a major associated company is as follows:

	The Group	
	2003 HK\$'000	2002 HK\$'000
Balance sheet		
Non-current assets	142,570	133,399
Current assets	391,644	188,546
Non current liabilities	3,594	–
Current liabilities	389,281	209,960
	—————	—————
Profit and loss account		
Turnover	1,801,879	1,271,955
Profit before taxation	40,826	21,524
Profit after taxation	38,639	20,292
	—————	—————

The major associated company had no material contingent liabilities as at 31st December, 2003.

17. INTERESTS IN ASSOCIATED COMPANIES AND AMOUNTS DUE TO ASSOCIATED COMPANIES *(cont'd)*

The following is a list of the principal associated companies as at 31st December, 2003:

Name of company	Place of/ incorporation operation	Principal activities	Particulars of issued or paid up capital	Proportion of issued capital held by the Company indirectly
Changzhou Jinyuan Copper Company Limited	PRC	Production and sale of copper rods	Rmb100,000,000	25%
Huludao Orienmet Copper Company Limited ¹	PRC	Production and sale of copper blisters	US\$46,600,000	30%
Qingdao M.C. Packaging Limited ¹	PRC	Production and sale of aluminium cans	US\$25,000,000	20%
Shanghai Jing Bao Copper Foil Limited ¹	PRC	Production and sale of copper foil	Rmb29,450,000	25%
Yantai Penghui Copper Industry Company Limited ¹	PRC	Production and sale of copper cathodes	Rmb132,000,000	42%
Yinxing Company Limited ¹	PRC	Sale of aluminium ingots	Rmb14,322,600	34%

¹ *Statutory accounts of these companies are not audited by PricewaterhouseCoopers.*

All of the above associated companies are Sino-foreign equity joint ventures registered under the laws of the PRC.

18. INVESTMENT SECURITIES

	The Group		The Company	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Unlisted investments, at cost	2,538	2,538	–	–
Less: Provision for impairment in value	(500)	(500)	–	–
	<u>2,038</u>	<u>2,038</u>	<u>–</u>	<u>–</u>
Listed investments, at cost	64,443	64,443	64,443	64,443
Less: Provision for impairment in value	(64,264)	(64,335)	(64,264)	(64,335)
	<u>179</u>	<u>108</u>	<u>179</u>	<u>108</u>
	2,217	2,146	179	108
Listed in Hong Kong at carrying value	179	108	179	108
Quoted market value of listed securities	179	108	179	108

19. LONG-TERM RECEIVABLES

	The Group		The Company	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Long-term receivables	5,592	6,426	200	200
Less: Provision for doubtful debts	(200)	(200)	(200)	(200)
	<u>5,392</u>	<u>6,226</u>	<u>–</u>	<u>–</u>

Long-term receivables of the Group and of the Company are unsecured, interest-free and not repayable within one year.

20. INVENTORIES

	The Group	
	2003	2002
	HK\$'000	HK\$'000
Raw materials	95,418	52,175
Work in progress	21,331	61,572
Finished goods	53,871	94,408
	170,620	208,155

As at 31st December, 2003, the carrying amount of finished goods that are carried at their net realisable value amounted to HK\$5 million (2002: HK\$9 million).

21. 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 receivable balances, net of provision for doubtful debts, of approximately HK\$179,595,000 (2002: HK\$174,974,000). An aging analysis of such trade receivables is shown as follows:

	The Group			
	2003		2002	
	HK\$'000	%	HK\$'000	%
Less than 6 months	177,074	98	172,302	98
6 months – 1 year	2,145	1	2,553	2
Over 1 year	376	1	119	–
	179,595	100	174,974	100

22. TRADE PAYABLES AND ACCRUED CHARGES

Included in the Group's trade payables and accrued charges are trade payable balances of approximately HK\$111,178,000 (2002: HK\$76,305,000). An aging analysis of such trade payables is shown as follows:

	The Group			
	2003		2002	
	HK\$'000	%	HK\$'000	%
Less than 6 months	98,953	89	64,100	84
6 months – 1 year	2,226	2	1,671	2
1 – 2 years	5	–	4	–
Over 2 years	9,994	9	10,530	14
	<u>111,178</u>	<u>100</u>	<u>76,305</u>	<u>100</u>

23. AMOUNTS DUE TO A SHAREHOLDER AND RELATED COMPANIES

The amounts due to a shareholder and related companies are unsecured and repayable on demand. Except for the amounts due to a related company by the Group of approximately HK\$28,965,000 (2002: HK\$27,336,000) and the amounts due to a related company by the Company of approximately HK\$18,659,000 (2002: HK\$16,920,000) which bear interest rate at prevailing market rate, all outstanding balances are interest-free.

24. AMOUNTS DUE TO MINORITY SHAREHOLDERS

The amounts due to minority shareholders are unsecured and are repayable on demand. Except for the amount due to a minority shareholder by the Group of approximately HK\$11,958,000 (2002: HK\$11,958,000) which bears interest at prevailing market rate, all outstanding balances are interest-free.

25. TAXATION PAYABLE

Taxation payable represents:

	The Group		The Company	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Provision for Hong Kong profits tax	831	512	319	–
Provision for PRC enterprise income tax	7,558	9,209	–	1,174
	<u>8,389</u>	<u>9,721</u>	<u>319</u>	<u>1,174</u>

26. DEFERRED TAXATION

Deferred taxation are calculated in full on temporary differences under the liability method using prevailing taxation rates in the respective jurisdictions.

The movement on the deferred tax assets account is as follows:

	Impairment of assets		The Group				Total	
	2003	2002	2003	2002	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st January	-	-	-	-	-	-	-	-
Credited to profit and loss account	2,037	-	7,009	-	3,870	-	12,916	-
At 31st December	2,037	-	7,009	-	3,870	-	12,916	-

Deferred income tax assets are recognised for tax losses available to be carried forward to the extent that realisation of the related tax benefit through the future taxable profits is probable. The Group has unrecognised tax losses of HK\$362 million (2002:HK\$450 million) to carry forward against future taxable income.

27. PROVISION

	The Group	
	2003 HK\$'000	2002 HK\$'000
Movements of provision for compensation in respect of outstanding claims and litigation:		
At 1st January	9,315	36,805
Less: Amount utilised	(430)	-
Reversal of utilised amounts	(1,384)	(6,829)
Deconsolidation of a subsidiary under liquidation	-	(20,661)
At 31st December	7,501	9,315

28. BANK LOANS

	The Group		The Company	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Within one year or on demand				
Secured bank loans	218,558	212,405	–	–
Unsecured bank loans	419,956	419,146	379,013	377,752
Included under current liabilities	638,514	631,551	379,013	377,752
After one year but within two years				
Secured bank loans	14,151	23,585	–	–
After two years but within five years				
Secured bank loans	122,641	152,830	–	–
Included under non-current liabilities	136,792	176,415	–	–
	775,306	807,966	379,013	377,752

- (a) Certain bank loans of the Company are secured by a corporate guarantee given by a shareholder of the Company.
- (b) Certain bank loans of the Group are secured by (i) a corporate guarantee given by a shareholder of the Company; (ii) certain fixed assets of the Group; and (iii) corporate guarantees given by certain minority shareholders and a third party.
- (c) Certain bank loans of the Group and of the Company of approximately HK\$389 million (2002: HK\$389 million) and HK\$379 million (2002: HK\$378 million) respectively, have been overdue as at 31st December, 2003. Upon the completion of Debt Restructuring as disclosed in Note 1, all overdue bank loans of the Company were purchased by Coppermine and converted into new shares of the Company.

29. SHARE CAPITAL

	Number of shares		2003 HK\$'000	2002 HK\$'000
	2003 '000	2002 '000		
Authorised:				
Ordinary shares of HK\$0.1 each	3,000,000	3,000,000	300,000	300,000
Issued and fully paid:				
Ordinary shares of HK\$0.1 each	1,319,727	1,319,727	131,973	131,973

On 3rd December, 2003, the Company passed a resolution to combine 10 ordinary shares of HK\$0.1 each into one ordinary share of HK\$1 each (the "Share Consolidation"), and to reduce the nominal value of each ordinary share of HK\$1 each to HK\$0.05 each (the "Capital Reduction"). Immediately following the Share Consolidation and Capital Reduction, the Company increased and restored its authorised share capital to HK\$300,000,000 by the creation of an additional 5,700,000,000 ordinary shares of HK\$0.05 each. The Capital Reduction was approved by the Court and became effective on 6th January, 2004.

30. RESERVES

(a) The Group

	Share premium	Revaluation reserve	General reserve	Capital reserve	PRC statutory reserves (Notes (c) & (d))	Exchange translation reserve	Accumulated losses	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st January, 2002	800,030	496	15,600	7,337	63,387	2,877	(1,385,108)	(495,381)
Transfer to PRC statutory reserves	-	-	-	-	1,035	-	(1,035)	-
Deconsolidation of a subsidiary under liquidation	-	-	-	(7,337)	-	-	-	(7,337)
Profit for the year	-	-	-	-	-	-	19,676	19,676
At 31st December, 2002	800,030	496	15,600	-	64,422	2,877	(1,366,467)	(483,042)
Transfer to PRC statutory reserves	-	-	-	-	5,192	-	(5,192)	-
Reversal of impairment loss of land and buildings	-	62	-	-	-	-	-	62
Profit for the year	-	-	-	-	-	-	89,202	89,202
At 31st December, 2003	800,030	558	15,600	-	69,614	2,877	(1,282,457)	(393,778)
At 31st December, 2002								
The Company and subsidiaries	800,030	496	15,600	-	64,422	2,877	(1,104,467)	(221,042)
Associated companies	-	-	-	-	-	-	(262,000)	(262,000)
	800,030	496	15,600	-	64,422	2,877	(1,366,467)	(483,042)
At 31st December, 2003								
The Company and subsidiaries	800,030	558	15,600	-	69,614	2,877	(1,029,700)	(141,021)
Associated companies	-	-	-	-	-	-	(252,757)	(252,757)
	800,030	558	15,600	-	69,614	2,877	(1,282,457)	(393,778)

30. RESERVES (cont'd)**(b) The Company**

	Share premium HK\$'000	General reserve HK\$'000	Accumulated Losses HK\$'000	Total HK\$'000
At 1st January, 2002	800,030	15,600	(1,219,565)	(403,935)
Loss for the year	—	—	(52,082)	(52,082)
At 31st December, 2002	800,030	15,600	(1,271,647)	(456,017)
Profit for the year	—	—	75,255	75,255
At 31st December, 2003	800,030	15,600	(1,196,392)	(380,762)

The Company had no reserve (2002: Nil) available for distribution as at 31st December, 2003.

- (c) According to the Articles of Association of PRC subsidiaries of the Group, they are required to transfer 5% of their net profits as stated in the accounts prepared under PRC accounting regulations to the statutory expansion reserve until the reserve reaches 50% of the registered capital. The transfer to this reserve must be made before the distribution of dividend to the shareholders.

The statutory expansion reserve shall only be used to make up losses, to expand the PRC subsidiaries' production operations, or to increase the capital of the subsidiaries. Upon approval, the subsidiaries may convert their statutory expansion reserve into registered capital and issue bonus capital to existing investors in proportion to their existing investments. After converting the subsidiaries' statutory expansion reserve into capital, the balance of such reserve must not be less than 25% of the registered capital.

- (d) According to the respective Articles of Association of PRC subsidiaries of the Group, such subsidiaries are required to transfer 5% of their net profits as stated in the accounts prepared under PRC accounting regulations to the statutory general reserve. The statutory general reserve shall only be used to provide staff welfare facilities and other collective benefits to the subsidiaries' employees. The transfer to this reserve must be made before the distribution of dividend to the shareholders.

31. DEFERRED INCOME

Deferred income of the Group represents government grants obtained from the PRC government of approximately HK\$28,302,000 (2002: HK\$28,302,000) for the purchase of certain plant and machinery of the Group.

32. RETIREMENT SCHEMES

The Group provides retirement benefits to all Hong Kong eligible employees under the Mandatory Provident Fund (the "MPF Scheme"). Under the MPF Scheme, the Group and their employees make monthly contributions to the MPF Scheme at 5% of the employees' salaries as defined under the Mandatory Provident Fund legislation. Contributions of both the Hong Kong subsidiaries and their employees are subject to a maximum of HK\$1,000 per month and thereafter contributions are voluntary and are not subject to any limitation. The MPF Scheme is administered by an independent trustee and its assets are held separately from those of the Group.

The employees of the Company's subsidiaries in the PRC are members of retirement schemes operated by the local authorities. The subsidiaries are required to contribute a certain percentage of their employees' salaries to these schemes to fund the benefits. The only obligation of the Group with respect to these schemes is the required contributions under the schemes.

The Group's total contributions to these schemes during the year ended 31st December, 2003 amounted to approximately HK\$7,687,000 (2002: HK\$6,845,000). The amount of forfeited contributions for the year amounted to approximately HK\$142,000 (2002: HK\$144,000).

33. SHARE OPTION SCHEME

Pursuant to members' resolutions passed at an extraordinary general meeting of the Company held on 25th November, 1994, a share option scheme was approved and adopted by the Company. The Board of Directors is authorised to grant options to directors and employees of the Company and any of its subsidiaries to subscribe for shares not exceeding in total of 10% of the Company's issued share capital at the date of the grant of the options.

There were no options granted, exercised or outstanding during the year.

34. NOTES TO CONSOLIDATED CASH FLOW STATEMENT**(a) Reconciliation of profit before taxation to net cash generated from operating activities**

	2003	2002
	HK\$'000	HK\$'000
Profit before taxation	91,567	27,504
Share of profits less losses of associated companies	(11,321)	(5,851)
Interest income	(690)	(391)
Interest expense	38,195	52,084
Depreciation	46,234	53,500
Loss on disposal of fixed assets	579	769
Loss on disposal of construction in progress	1,259	–
Reversal of provision for impairment in value of investment securities	(71)	(99)
(Reversal of provision)/provision for impairment in value of land and buildings	(1,194)	1,458
Provision for impairment in value of fixed assets (other than land and buildings)	3,412	1,882
Reversal of provision for compensation in respect of outstanding claims and litigations	(1,384)	(6,829)
Gain on deconsolidation of a subsidiary under liquidation	–	(29,754)
Reversal of provision for foreseeable loss on a long-term purchase contract	–	(43,806)
	<hr/>	<hr/>
Operating profit before working capital changes	166,586	50,467
Decrease in net amounts due from associated companies	19,330	27,270
Decrease in inventories	37,535	42,185
Increase in trade receivables, prepayments and other receivables	(29,037)	(57,755)
Increase/(decrease) in trade payables and accrued charges	54,597	(1,536)
(Decrease)/increase in bills payable	(17,924)	21,698
Utilisation of provision	(430)	(12,234)
	<hr/>	<hr/>
Net cash inflow generated from operations	230,657	70,095

34. NOTES TO CONSOLIDATED CASH FLOW STATEMENT (cont'd)**(b) Analysis of changes in financing**

	Bank loans		Amount due to a shareholder	Amounts due to related companies	Amounts due to minority shareholders	Total
	Short-term	Long-term				
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st January, 2003	631,551	176,415	4,478	50,056	30,187	892,687
Proceeds from new bank loans	31,073	-	-	-	-	31,073
Repayment of bank loans	(40,148)	(23,585)	-	-	-	(63,733)
Reclassification of bank loans	16,038	(16,038)	-	-	-	-
Increase in amount due to a shareholder	-	-	452	-	-	452
Decrease in amounts due to related companies	-	-	-	(166)	-	(166)
Interest accrued on an amount due to a related company	-	-	-	1,740	-	1,740
Increase in amounts due to minority shareholders	-	-	-	-	1,543	1,543
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31st December, 2003	638,514	136,792	4,930	51,630	31,730	863,596

35. CONTINGENT LIABILITIES

- (a) As at 31st December, 2003, the Company provided a corporate guarantee to a financial institution in respect of banking facilities extended to an associated company amounting to approximately HK\$23,585,000 (2002: HK\$23,585,000). The guarantee is valid up to the end of 2005.
- (b) As at 31st December, 2003, the Group had unsettled tax payables in respect of certain properties in the PRC which may result in additional charges. No provision has been made by the Group since the amount of additional charges, if any, cannot be reliably determined. The directors are of the opinion that the potential additional charges will not exceed HK\$4,000,000 (2002: HK\$4,000,000).

36. COMMITMENTS**(a) Operating leases**

As at 31st December, 2003, the Group's commitments in respect of rented premises under non-cancellable operating leases amounted to approximately HK\$1,757,000 (2002: HK\$520,000). Details of the total future minimum lease payments under non-cancellable operating leases are as follows:

	The Group	
	2003	2002
	HK\$'000	HK\$'000
Total future minimum lease payments payable:		
Within one year	499	260
After one year but within five years	1,258	260
	<u>1,757</u>	<u>520</u>

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

	The Group	
	2003	2002
	HK\$'000	HK\$'000
Authorised and contracted for	8,767	134,675
Authorised but not contracted for	80,258	79,027
	<u>89,025</u>	<u>213,702</u>

The Company had no material commitments as at 31st December, 2003.

37. RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

Other than as disclosed in Notes 17, 23, 28 and 35 material transactions with related parties during the year are as follows:

	The Group	
	2003	2002
	HK\$'000	HK\$'000
Purchases of nonferrous metals from an associated company	74,208	91,654
Transportation fees paid to an associated company	9,312	8,113
Sales of nonferrous metals to an associated company	4,113	5,000
Interest expense paid to a related company	1,740	1,010
Rental income received from an associated company	603	283
Management fees paid to a shareholder	450	–
	80,326	106,060

In the opinion of the directors, the related party transactions described above were carried out in the ordinary course of business at terms mutually agreed by the Group and the related parties.

38. SUBSEQUENT EVENTS

Other than as disclosed in Notes 1, 4 and 29, no significant events have taken place subsequent to 31st December, 2003.

39. APPROVAL OF ACCOUNTS

The accounts were approved and authorised for issue by the Board of Directors on 16th April, 2004.