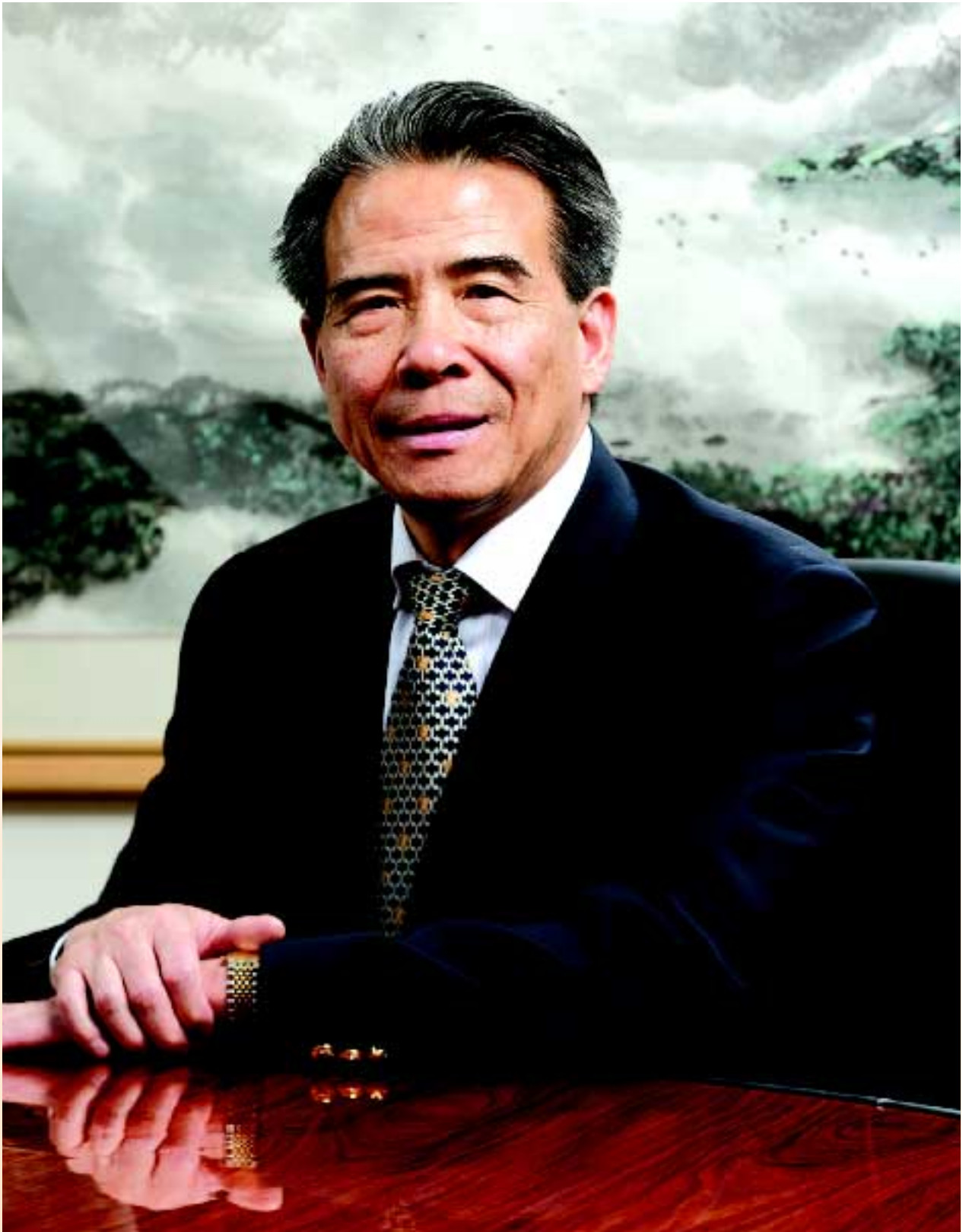


CHAIRMAN'S STATEMENT



Mr. Lin Xizhong
Chairman

CHAIRMAN'S STATEMENT

The year 2004 was the first financial year after the Group was acquired by China Minmetals Corporation ("China Minmetals") via its subsidiary. In 2004, the Group's business resumed healthy and stable development. The Group's management, with their outstanding capability, outperformed the development objectives set by the Board of Directors for the year 2004 with great success, thereby providing a solid platform for the Company's sustainable development. Under the challenges of significant fluctuations in the prices of nonferrous metals, increase in the prices of raw materials and tight electricity supply, the Group's trading operation and direct industrial investments still achieved a satisfactory performance in 2004. On the financial front, the Group further enhanced its financial position by effectively relieving itself from overdue bank borrowings and successfully recovering certain doubtful debts that had been overdue for years. The Group had also reinforced its business management and risk control as well as restructuring its asset portfolio to effectively enhance the overall operation efficiency and profitability.

In 2004, the Group reviewed and amended the Articles of Associations of certain joint venture companies to fortify their management in order to provide the Group, as a major shareholder, a dominance of these direct industrial investment projects. The Group established guidelines according to its own policy for these joint venture companies with respect to financial supervision, corporate operation as well as business administration, with an aim to further enhance the management quality of these joint venture projects.

The Group continued to fine-tune its resources allocation and enhance the overall return on assets. During the year, the Group discontinued the operations of two under-performed subsidiaries, namely Zhangzhou International Aluminium Container Company Limited and Yixing Jinfeng Copper Materials Company Limited, allowing it to allocate its resources to projects with higher return and more promising prospects.

In 2004, the overall performance of the Group's direct industrial investment projects in the PRC reached record high. North China Aluminium Company Limited ("NCA"), a subsidiary of the Group, whose profit increased substantially by more than ninety per cent. Another subsidiary, Yingkou Orienmet Plica Tube Company Limited ("YOPT"), which continued to report satisfactory results, made its first dividend distribution since the Group became its shareholder.

While strengthening its operation management, the Group's management also made efforts to tackle the issue of accounts receivable that had been overdue for years. During the year under review, the Group had recovered approximately HK\$49,000,000 of doubtful debts, and had effectively tidied up the accounts.

On 30 December 2004, the Group announced that China Minmetals Non-ferrous Metals Company Limited, a subsidiary of China Minmetals, planned to inject certain alumina and aluminium operations and equity interests of China Minmetals into the Group. The transaction is subject to the approval of the relevant authorities and the Company's independent shareholders.

CHAIRMAN'S STATEMENT

OUTLOOK

The PRC economy continues to maintain a healthy development. It is expected that with a strong industrial demand for aluminium products, its market will sustain a stable growth. There is still a shortage in the supply of nonferrous metals in the PRC. Despite periodical price fluctuations, the nonferrous metal prices are expected to gradually settle at a more stable level.

In 2005, the Group business will continue to focus on nonferrous metals operations. The Group will further enlarge its trading volume by fully capitalising on the potential synergistic benefits derived from the integration of nonferrous metals operations with its refinery and trading businesses.

As to direct industrial investment projects, the Group will continue to enhance the technological innovations in its joint venture companies, with an aim to further improve the operation scale and cost efficiency through increasing the overall annual production volume of these investment projects.

NCA will enlarge its product range and will further adjust its product mix to meet the market's need. YOPT will introduce new equipment from Japan to upgrade its environmental protection facilities, and further augment capacity and product quality.

Facing an extremely severe condition in the past few years, the Group managed to overcome its financial crisis, through the introduction of a new controlling shareholder and completion of its debt restructuring. The Group's performance and financial position continued to improve in the past years. This was mainly attributed to a dedicated workforce led by an outstanding management team, who had tried their best to achieve the strategic objective set by the Board of Directors. The Group has now resumed its steady growth momentum. With the continuous support from our staff, business partners and shareholders, we hope that it would enable us to reach a new milestone in our business development.