



東方鑫源(集團)有限公司  
Oriental Metals (Holdings) Company Limited

Oriental  
Metals

03

ANNUAL REPORT 2003 二 零 零 三 年 年 報

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**BOARD OF DIRECTORS****Executive Directors**

LIN Xizhong (*Chairman*)

XU Huizhong

QIAN Wenchao

TANG Xiaojin

**Independent Non-executive Directors**

CHAN Wai Dune

TING Leung Huel, Stephen

**COMPANY SECRETARY**

LEUNG Suet Kam, Lucia

**REGISTERED OFFICE AND  
HEAD OFFICE**

9th Floor, China Minmetals Tower

79 Chatham Road South

Tsimshatsui

Kowloon

Hong Kong

**LEGAL ADVISERS**

Deacons

**AUDITORS**

PricewaterhouseCoopers

*Certified Public Accountants*

**SHARE REGISTRARS**

Computershare Hong Kong Investor

Services Limited

17th Floor, Hopewell Centre

183 Queen's Road East

Hong Kong

**PRINCIPAL BANKERS**

Citic Ka Wah Bank Limited

Standard Bank London Limited

The Hongkong & Shanghai Banking  
Corporation Limited

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.

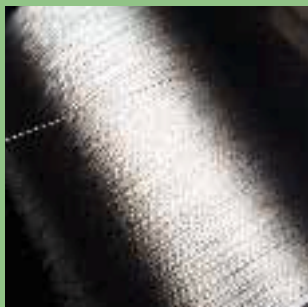
The Company had encountered immense difficulties during the past few years. Without the dedication and commitment of staff from all levels, the Company would not have been able to overcome the challenges and build a foundation for the Company's future business development. I would therefore like to extend 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



## 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

**NOTICE IS HEREBY GIVEN THAT** the Annual General Meeting of Oriental Metals (Holdings) Company Limited (the "Company") will be held at Kowloon Room I, M/F, Kowloon Shangri-La Hotel, 64 Mody Road, Tsimshatsui East, Kowloon, Hong Kong on 28th May, 2004 at 3:00 p.m. for the following purposes:

1. To receive and consider the Audited Consolidated Accounts and the Reports of the Directors and Auditors for the year ended 31st December, 2003;
2. To re-elect the retiring Directors and to authorise the Directors of the Company to fix the remuneration of directors;
3. To re-appoint Auditors and to authorise the Directors of the Company to fix their remuneration;
4. As special business, to consider and, if thought fit, pass with or without amendments, the following resolution as an Ordinary Resolution:

**"THAT**

subject to and conditional upon the Listing Committee of The Stock Exchange of Hong Kong Limited granting listing of, and permission to deal in, the shares in the capital of the Company to be issued pursuant to the exercise of options which may be granted under the new share option scheme, a copy of which is produced to this Meeting and signed by the Chairman of this Meeting for the purpose of identification (the "New Scheme"), the terms of the New Scheme be and are hereby approved and adopted and that the Directors of the Company be and are hereby authorised:

- (a) to administer the New Scheme under which the options will be granted to eligible persons under the New Scheme to subscribe for shares in the Company;
- (b) to modify and/or amend the terms of the New Scheme from time to time provided that such modification(s) and/or amendment(s) is/are effected in accordance with the provisions of the New Scheme relating to modification(s) and/or amendment(s);
- (c) to issue and allot from time to time such number of the shares in the Company as may be required to be issued pursuant to the exercise of the options under the New Scheme and subject to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited; and
- (d) to do all such things and acts as may be necessary or desirable to implement the New Scheme."



5. As special business, to consider and, if thought fit, pass with or without amendments, the following resolution as an Ordinary Resolution:

**"THAT**

- (a) subject to paragraph (c) below, pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited as amended from time to time, the exercise by the Directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with additional shares in the capital of the Company and to make or grant offers, agreements and options which would or might require the exercise of such power be and is hereby generally and unconditionally approved;
- (b) the approval in paragraph (a) shall authorise the Directors of the Company during the Relevant Period to make or grant offers, agreements and options which would or might require the exercise of such power after the end of the Relevant Period;
- (c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the Directors of the Company pursuant to the approval in paragraph (a) above, otherwise than pursuant to (i) a Rights Issue (as hereinafter defined) or (ii) an issue of shares upon the exercise of the subscription rights under any option scheme or similar arrangement for the time being adopted for the grant or issue to officers and/or employees of the Company and/or any of its subsidiaries of shares or rights to acquire shares of the Company or (iii) the exercise of rights of subscription or conversion under the terms of any warrants issued by the Company or any securities which are convertible into shares of the Company or (iv) any script dividend or similar arrangement providing for the allotment of shares in lieu of the whole or part of a dividend on shares of the Company pursuant to the Articles of Association of the Company from time to time, shall not exceed 20 per cent. of the aggregate nominal amount of the share capital of the Company in issue as at the date of this Resolution and the said approval shall be limited accordingly; and
- (d) for the purpose of this Resolution:

"Relevant Period" means the period from the passing of this Resolution until whichever is the earliest of:

- (i) the conclusion of the next Annual General Meeting of the Company;

- (ii) the expiration of the period within which the next Annual General Meeting of the Company is required by Hong Kong law or the Articles of Association of the Company to be held; and
- (iii) the passing of an ordinary resolution by shareholders of the Company in general meeting revoking or varying the authority given to the Directors of the Company by this Resolution; and

“Rights Issue” means an offer of shares open for a period fixed by the Directors of the Company to holders of shares whose names appear on the register of members of the Company on a fixed record date in proportion to their then holdings of such shares (subject to such exclusion or other arrangements as the Directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory applicable to the Company).”

6. As special business, to consider and, if thought fit, pass with or without amendments, the following resolution as an Ordinary Resolution:

**“THAT**

- (a) subject to paragraph (b) below, the exercise by the Directors of the Company during the Relevant Period (as hereinafter defined) of all powers of the Company to repurchase securities of the Company on The Stock Exchange of Hong Kong Limited or on any other stock exchange on which the securities of the Company may be listed and is recognised by the Securities and Futures Commission and The Stock Exchange of Hong Kong Limited for this purpose, subject to and in accordance with all applicable laws and/or the requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited or of any other stock exchange as amended from time to time, be and is hereby generally and unconditionally approved;
- (b) the aggregate nominal amount of securities of the Company repurchased by the Company pursuant to paragraph (a) above during the Relevant Period shall not exceed 10 per cent. of the aggregate nominal amount of the share capital of the Company in issue as at the date of this Resolution and the authority pursuant to paragraph (a) above shall be limited accordingly; and

- (c) for the purpose of this Resolution, "Relevant Period" means the period from the passing of this Resolution until whichever is the earliest of:
- (i) the conclusion of the next Annual General Meeting of the Company;
  - (ii) the expiration of the period within which the next Annual General Meeting of the Company is required by Hong Kong law or the Articles of Association of the Company to be held; and
  - (iii) the passing of an ordinary resolution by shareholders of the Company in general meeting revoking or varying the authority given to the Directors of the Company by this Resolution."
7. As special business, to consider and, if thought fit, pass with or without amendments the following resolution as an Ordinary Resolution:
- "THAT** power be given to the Directors to add the number of shares purchased by the Company pursuant to the general mandate referred to in Resolution 6 set out in this notice to the 20 per cent. general mandate to issue new shares referred to in Resolution 5 set out in this notice."
8. As special business, to consider and, if thought fit, pass with or without amendments, the following resolution as a Special Resolution:
- "THAT** the Articles of Association of the Company be amended as follows:
- (a) by adding the following definitions in Article 2:
    - "associate"** shall have the meaning ascribed to it under the Listing Rules;
    - "Listing Rules"** shall mean the Rules Governing the Listing of Securities on the Stock Exchange;"
  - (b) by deleting the sub-heading "Share Capital and Modification of Rights" immediately before Article 3 and substituting therefor the sub-heading "Modification of Rights";
  - (c) by deleting Article 3 in its entirety;
  - (d) by adding the words "Subject to the rules prescribed by the Stock Exchange from time to time," in front of the first sentence of Article 65;

- (e) by adding the following new article as Article 71A immediately after Article 71:

"Where any member is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted."

- (f) by deleting the words "special resolution" in the first sentence of Article 86 and substituting therefor the words "ordinary resolution";

- (g) by deleting Article 87 in its entirety and substituting therefor the following:

"No person other than a Director retiring at the meeting shall, unless recommended by the Board, be eligible for election to the office of Director at any general meeting unless there have been given to the Secretary notice in writing by some member (not being the person to be proposed) entitled to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and also notice in writing signed by the person to be proposed of his willingness to be elected and the minimum length of the period, during which such notice(s) are given, shall be at least 7 days and that the period for lodgment of such notice(s) shall commence no earlier than the day after the despatch of the notice of the general meeting appointed for such election and end no later than 7 days prior to the date of such meeting."

- (h) by deleting Article 96 in its entirety and substituting therefor the following:

"Notwithstanding that such disclosure is made as aforesaid, a Director shall not be entitled to vote on any resolution of the Board approving any contract or arrangement in which he or any of his associates is materially interested. If any question shall arise at any meeting of the Board as to the materiality of the interest of a Director (other than the chairman of the meeting) or his associate(s) or as to the entitlement of any Director (other than such chairman) to vote or be counted in the quorum and such question is not resolved by his voluntarily agreeing to abstain from voting or not to be counted in the quorum, such question shall be referred to the chairman of the meeting and his ruling in relation to such other Director shall be final and conclusive except in a case where the nature or extent of the interest of the Director or his associate(s) concerned as known to such Director has not been fairly disclosed to the Board. If any question as aforesaid shall arise in respect of the chairman of the meeting or his associate(s), such question shall be decided by a resolution of the Board (for which purpose such chairman shall not be counted in the quorum and shall not vote thereon) and such resolution shall be final and conclusive except in a case where the nature or extent of the interest of such chairman or his associate(s) as known to such chairman has not been fairly disclosed to the Board."

- (i) by deleting Article 97 in its entirety and substituting therefor the following:

"Save as otherwise provided by these Articles, a Director shall not vote (nor be counted in the quorum) on any resolution of the Board approving any contract or arrangement in which he or any of his associates is to his knowledge materially interested, but this prohibition shall not apply to any of the following matters:

- (i) the giving of any security or indemnity either:
  - (a) to the Director or his associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries; or
  - (b) to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his associate(s) has himself/ themselves assumed responsibility in whole or in part and whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (ii) any proposal concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase where the Director or his associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (iii) any proposal concerning any other company in which the Director or his associate(s) is/are interested only, whether, directly or indirectly, whether as an officer or shareholder in which the Director or his associate(s) is/are beneficially interested in shares of that company, provided that the Director and any of his associates are not in aggregate beneficially interested in 5% or more of the issued shares of any class of such company (or of any third company through which his interest or that of his associates is derived) or of the voting rights;
- (iv) any proposal concerning the benefit of employees of the Company or its subsidiaries including:
  - (a) the adoption, modification or operation of a share option scheme under which the Director or his associate(s) may benefit; or



- (b) the adoption, modification or operation of a pension fund or retirement, death or disability benefits scheme which relates to Directors, his associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director, or his associate(s), as such any privilege or advantage not generally accorded to the class of persons to which scheme or fund relates; and
- (v) any contract or arrangement in which the Director or his associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company."
- (j) by deleting the words "excepting those Directors in respect of whom the provisions of Articles 84 and 85 apply" in the bracket in the first sentence of Article 101 and substituting therefor the words "excepting those Directors in respect of whom the provision of Article 85 applies"

9. To transact any other business.

By Order of the Board

**Xu Huizhong**

*Director and President*

Hong Kong, 16th April, 2004

*Notes:*

1. A member entitled to attend and vote at the Meeting is entitled to appoint one or more proxies to attend and, on a poll, vote on his/her behalf. A proxy need not be a member of the Company.
2. To be valid, a form of proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of such power of attorney or authority, must be deposited with the Share Registrars of the Company, Computershare Hong Kong Investor Services Limited, at Rooms 1901-5, 19th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time appointed for holding the Meeting or any adjourned Meeting.
3. The Transfer Books and Register of Members will be closed from 24th May, 2004 to 28th May, 2004, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for attending the Meeting convened by the above notice, all transfers accompanied by the relevant share certificates must be lodged with the Share Registrars of the Company, Computershare Hong Kong Investor Services Limited, at 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:00 p.m. on 21st May, 2004.
4. Concerning Resolutions No. 5 and 6, the Directors of the Company wish to state that they have no immediate plans to issue any new shares or to repurchase any shares of the Company. The general mandates are being sought from members in compliance with the provisions of the Companies Ordinance and the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").
5. The Companies (Amendment) Ordinance 2003 became effective on 13th February, 2004 and the Stock Exchange revised the Listing Rules including, among other things, amendments to the Appendix 3 came into effect on 31st March, 2004. Appendix 3 of the Listing Rules sets out the provisions with which a listed company's articles of association should conform.
6. A circular containing information on Resolutions No. 2, 4, 5, 6, 7 and 8 is sent to members together with the Annual Report 2003 of the Company.

## DIRECTORS

### Executive Directors

Mr. LIN Xizhong, aged 58, Chinese, was appointed as an Executive Director of the Company in January 2004 and became the Chairman of the Company in February 2004. Mr. Lin is currently the Vice President of China Minmetals Corporation (formerly China National Metals & Minerals Import & Export Corporation), the Vice Chairman and Managing Director of China Minmetals H.K. (Holdings) Limited and a Director of Coppermine Resources Limited. He is the Chairman of ONFEM Holdings Limited and the Chairman of AXA-Minmetals Assurance Ltd. in Shanghai. Mr. Lin earned his Bachelor of Arts degree in Literature from the Beijing Foreign Studies University in the PRC in 1973. From 1995 to 1998, he was the China's representative in the APEC Business Advisory Council (ABAC) of Asia-Pacific Economic Cooperation Organisation. He was the Vice Chairman of First Pacific Bank during 1993 to 2000. Mr. Lin has over 30 years of experience in international trading, strategic investment and financial corporate management.

Mr. XU Huizhong, aged 46, Chinese, was appointed as an Executive Director of the Company in April 2002 and became the President of the Company in May 2002, responsible for the operation of and strategic planning for the Company. Mr. Xu is also a Director and Deputy General Manager of China Minmetals H.K. (Holdings) Limited and an employee of China Minmetals Corporation (formerly China National Metals & Minerals Import & Export Corporation). He graduated from the University of International Business and Economics, the PRC in 1979 and is a qualified economist in the PRC. Prior to joining the Group, he held senior management positions with corporations carrying on trading of metals and property development in the PRC, Japan and New Zealand for over 17 years. Mr. Xu has extensive experience in international metals trading, property development and investment, investment strategies and corporate management.

Mr. QIAN Wenchao, aged 38, Chinese, was appointed as an Executive Director of the Company in January 2004. Mr. Qian is currently a Director of both China Minmetals H.K. (Holdings) Limited ("Minmetals HK") and Coppermine Resources Limited, and an employee of China Minmetals Corporation ("Minmetals") (formerly China National Metals & Minerals Import & Export Corporation). He is also a Director of ONFEM Holdings Limited. Mr. Qian earned his Bachelor of Arts degree in Economics from Beijing Technology and Business University in the PRC and completed his graduate study in accounting in the same university in 1987 and 1989 respectively. He joined Minmetals in 1989 and has worked in the Overseas Enterprises Division of Minmetals and Minmetals HK with responsibilities in financial management. Mr. Qian has over 10 years of experience in financial corporate management.

**DIRECTORS** (cont'd)**Executive Directors** (cont'd)

Mr. TANG Xiaojin, aged 42, Chinese, was appointed as the Vice President of the Company in October 2003 and became an Executive Director of the Company in January 2004. He is also an employee of China Minmetals Corporation (formerly China National Metals & Minerals Import & Export Corporation). Mr. Tang joined the Group in 1995 and has been the General Manager of Orienmet Industry Company Limited since 1998. Mr. Tang graduated from the Faculty of Mechanical Engineering of the Southern Institute of Metallurgy, the previous Jiangxi Institute of Metallurgy in the PRC, in 1983 with a bachelor degree in engineering. He joined Beijing General Research Institute for Mining and Metallurgy in 1983 engaging in metallurgical research and design. In 1989, he joined the Personnel Department of the previous China National Nonferrous Metals Industry Corporation. Mr. Tang has over 20 years of experience in nonferrous metals industry.

Mr. GAO Dezhu, aged 64, was appointed as the Chairman of the Company in June 1998 and tendered his resignation in January 2004. Mr. Gao graduated from the Fushun College of Education, the PRC and is a qualified senior economist in the PRC. Prior to joining the Group, he was the Deputy General Manager of Bank of China.

Mr. LAU Yat Ching, aged 59, was appointed as the Executive Vice President of the Company in August 1998 and tendered his resignation in January 2004. Mr. Lau graduated from the Dongbei University, the PRC in 1968. Prior to joining the Group, he was the General Manager of Qingtongxia Aluminium Plant of the previous China National Nonferrous Metals Industry Corporation.

Mr. XUN Gao, aged 60, was appointed as the Vice President of the Company in August 1998 and tendered his resignation in August 2003. Mr. Xun graduated from the University of International Business and Economics, the PRC. He was the Vice President of China National Nonferrous Metals Import and Export Corporation from 1986 to 1997.

Mr. WANG Xingdong, aged 43, was appointed as an Executive Director of the Company in March 2001 and tendered his resignation in January 2004. He is currently an Executive Director and the Managing Director of ONFEM Holdings Limited, a Director of China Minmetals H.K. (Holdings) Limited and a Non-executive Director of China Merchants China Direct Investments Limited.

**Independent Non-executive Directors**

Mr. CHAN Wai Dune, aged 51, was appointed as an Independent Non-executive Director of the Company in May 2002. Mr. Chan is also an Independent Non-executive Director of each of Hualing Holdings Limited, IIN International Limited, Zhongda International Holdings Limited and China Treasure (Greater China) Investments Limited. Mr. Chan has over 22 years of experience in the finance sector, particularly in auditing and taxation area. He is a certified public accountant and is a fellow member of the Association of Chartered Certified Accountants, the Hong Kong Society of Accountants and the Taxation Institute of Hong Kong.

**DIRECTORS** (cont'd)**Independent Non-executive Directors** (cont'd)

Mr. TING Leung Huel, Stephen, aged 50, was appointed as an Independent Non-executive Director of the Company in June 2002. He is also an independent non-executive director of six listed companies namely Chow Sang Sang Holdings International Limited, Tong Ren Tang Technologies Company Limited, eForce Holdings Limited, REXCAPITAL International Holdings Limited, Tongda Group Holdings Limited and MACRO-LINK International Holdings Limited. He is a member of the 9th Chinese People's Political & Consultative Conference, Fujian. Mr. Ting is an accountant in public practice. He is the Managing Partner of Messrs. Ting Ho Kwan & Chan, Certified Public Accountants.

**MANAGEMENT**

Mr. CHU Charn Fai, Daniel, aged 34, joined the Group in 1998 and was appointed as the Financial Controller of the Company in August 2002. He is a fellow member of the Association of Chartered Certified Accountants and an associate member of the Hong Kong Society of Accountants. Prior to joining the Group, Mr. Chu worked in an international accounting firm. He has over 11 years of experience in financial management and auditing.

Mr. DU Yonggang, aged 35, is the General Manager of the Finance Department of the Company. Mr. Du graduated from the Central University of Finance and Economics, the PRC in 1992 with a Bachelor's degree in Accounting. Prior to joining the Group, he worked in the Financial Division of China Minmetals Corporation (formerly known as China National Metals & Minerals Import & Export Corporation) and has over 10 years of experience in financial management.

Mr. DENG Weihua, aged 33, joined the Group in January 2000 and was appointed as the Deputy General Manager of Orienmet Industry Company Limited in January 2004. Mr. Deng was appointed as an Executive Director of the Company in March 2002 and tendered his resignation in January 2004. He graduated from the Central South University of Technology, PRC in 1994 with a Master's degree in Corporate Management. Before joining the Group, he worked for the previous China National Nonferrous Metals Industry Corporation. Mr. Deng has over 9 years of experience in financial management and nonferrous metals industry.

Miss LEUNG Suet Kam, Lucia, aged 42, is the Company Secretary of the Company. She joined the Group in 1993. She holds a Bachelor's degree in Economics from the University of London, the United Kingdom and a Postgraduate Diploma in Corporate Administration from the City University of Hong Kong. She is an associate member of both The Institute of Chartered Secretaries and Administrators in United Kingdom and the Hong Kong Institute of Company Secretaries. Miss Leung has over 11 years of experience in company secretarial affairs and over 18 years of experience in administration.

The Directors have pleasure in presenting their report together with the audited accounts of Oriental Metals (Holdings) Company Limited (the "Company") and its subsidiaries (the "Group") for the year ended 31st December, 2003.

### PRINCIPAL ACTIVITIES

The Company is principally engaged in investment holding. Its subsidiaries and associated companies are principally engaged in trading of nonferrous metals and industrial investments relating to nonferrous metals.

An analysis of the Group's revenue by business and geographical segments, together with their respective contributions to profit from operations for the year ended 31st December, 2003 is set out in Note 3 to the accounts.

### MAJOR CUSTOMERS

- (1) Sales to the largest customers accounted for approximately 9% of the total sales of the Group for the year.
- (2) Sales to the five largest customers in aggregate accounted for approximately 31% of the total sales of the Group for the year.
- (3) The Company entered into a framework agreement on 21st January, 2003 with China Minmetals Nonferrous Metals Company Limited ("CNMC"), a subsidiary of China Minmetals Corporation ("Minmetals") (formerly known as China National Metals & Minerals Import & Export Corporation"). During the year under review, the Company sold an aggregate of approximately 140,000 metric tonnes of alumina (which accounted for approximately 22% of the total sales of the Group for the year) to CNMC and other subsidiaries of Minmetals, namely Minmetals North-Europe AB, Minmetals Germany GMBH and Minmetals Inc. U.S.A.. CNMC and the three aforesaid Minmetals' subsidiaries are the second to the fifth largest customers of the Group for the year.

Coppermine Resources Limited, a wholly-owned subsidiary of Minmetals, has become the Company's controlling shareholder upon the completion of the Group's restructuring on 12th January, 2004. Since that date and up to the date of this report, the Group has made no sales to Minmetals or its subsidiaries.

Save as disclosed above, none of the directors, their associates (as defined in the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange")) or any shareholders of the Company (which to the knowledge of the directors owned more than 5% of the Company's share capital) had a beneficial interest in the Group's five largest customers.



## MAJOR SUPPLIERS

- (1) Purchases from the largest suppliers accounted for approximately 21% of total purchases of the Group for the year.
- (2) Purchases from the five largest suppliers in aggregate accounted for approximately 59% of total purchases of the Group for the year.
- (3) Yinxing Company Limited, being the fifth largest supplier for the year, is an associate of the Group.

Save as disclosed above, none of the directors, their associates (as defined in the Listing Rules) or any shareholders of the Company (which to the knowledge of the directors owned more than 5% of the Company's share capital) had a beneficial interest in the Group's five largest suppliers.

## RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31st December, 2003 are set out in the accounts on page 35.

No interim dividend was declared during the year. The Directors do not recommend the payment of a final dividend, and recommend that the consolidated accumulated losses of approximately HK\$1,282,457,000 at 31st December, 2003 (2002: HK\$1,366,467,000) be carried forward.

## RESERVES

Movements in reserves of the Company and the Group during the year are set out in Note 30 to the accounts.

## FIXED ASSETS

Movements in fixed assets during the year are set out in Note 14 to the accounts.

## SHARE CAPITAL

Details of the share capital of the Company are set out in Note 29 to the accounts.

## DIRECTORS

The directors who held office during the year and up to the date of this report are as follows:

### Executive Directors

Lin Xizhong ( <i>Chairman</i> )	(Appointed on 12th January, 2004)
Xu Huizhong	
Qian Wenchao	(Appointed on 12th January, 2004)
Tang Xiaojin	(Appointed on 12th January, 2004)
Gao Dezhu	(Resigned on 12th January, 2004)
Lau Yat Ching	(Resigned on 12th January, 2004)
Xun Gao	(Resigned on 18th August, 2003)
Wang Xingdong	(Resigned on 12th January, 2004)
Deng Weihua	(Resigned on 12th January, 2004)

### Non-executive Directors

Xu Kaixing	(Resigned on 27th February, 2003)
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### Independent Non-executive Directors

Chan Wai Dune  
Ting Leung Huel, Stephen

In accordance with Article 101 of the Company's Articles of Association, Mr. Chan Wai Dune will retire by rotation and, being eligible, offer himself for re-election. In accordance with Article 85 of the Company's Articles of Association, Messrs. Lin Xizhong, Qian Wenchao and Tang Xiaojin will retire and, being eligible, offer themselves for re-election.

## DIRECTORS' SERVICE CONTRACTS

None of the directors have service contracts with the Group which are not determinable by the Group within one year without payment of compensation, other than normal statutory compensation.

## **DIRECTORS' INTERESTS/SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES AND RIGHTS TO ACQUIRE SECURITIES**

As at 31st December, 2003, other than certain nominee shares in the subsidiaries held by the directors in trust for the Company and its subsidiaries, none of the directors had any interests or short positions (including interests/short positions which any such director is deemed or taken to have under the provisions of the Securities and Futures Ordinance ("SFO")) in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are required to be entered into the register maintained by the Company under section 352 of the SFO, or which are required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, to be notified to the Company and the Stock Exchange.

During the period, none of the directors of the Company nor their spouses or children under 18 years of age was granted or had exercised any rights to subscribe for any equity and debt securities of the Company or any of its associated corporations.

## **DIRECTORS' INTERESTS IN CONTRACTS**

Save as disclosed in section under connected party transactions on page 30 of which Messrs. Gao Dezhu, Lau Yat Ching, Xun Gao and Wang Xingdong (Mr. Xun Gao resigned as a director of the Company with effect from 18th August, 2003 and Messrs. Gao Dezhu, Lau Yat Ching and Wang Xingdong resigned as directors of the Company with effect from 12th January, 2004) are both the directors of the Company and China Nonferrous Metals Group (Hong Kong) Limited (in liquidation), the former controlling shareholder of the Company, and are deemed to have interest in the transaction, there was no contract of significance to which the Company, its holding companies, subsidiaries or fellow subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

## **MANAGEMENT CONTRACTS**

Save as disclosed in section under connected party transactions on page 30, no significant contract concerning the management and administration of the Company was entered into or existed during the year.

### SHARE OPTION SCHEME

Pursuant to the resolutions passed at an extraordinary general meeting of the Company held on 25th November, 1994, a share option scheme ("the Scheme") was approved and adopted by the Company.

The following is a summary of the Scheme disclosed in accordance with the requirements of the Listing Rules:

1. The Scheme is established to recognise and acknowledge the contributions that eligible participants had made or may make to the Group in order to attract and retain high calibre employees of the Group.
2. The Company's board of directors may at its discretion grant options to any employees including directors of the Group.
3. Taking into account the effects of Capital Restructuring of the Company completed on 12th January, 2004, the number of shares available for issue under the Scheme is 45,865,961 shares representing approximately 7.55% of the issued share capital of the Company as at the date of this report.
4. The maximum number of shares in respect of which options may be granted to any one employee shall not exceed 25% of the maximum number of shares in respect of which options may be granted under the Scheme.
5. An option may be exercised in whole or in part at any time after the date on which the option is deemed to be granted and from time to time or before the date which is three years after such date.
6. A non-refundable remittance of HK\$10.00 by way of consideration for the grant of an option is required to be paid by each grantee upon acceptance of the option.
7. The exercise price is determined by the Company's board of directors and will not be less than 80% of the average of the closing prices of the shares on the Stock Exchange on the five business days immediately preceding the date of granting of options or the nominal value of the shares, whichever is the higher.
8. The life of the Scheme is until 24th November, 2004.

## SHARE OPTION SCHEME (cont'd)

During the year, no options to subscribe for shares of the Company were outstanding and no options to subscribe for shares were granted by the Company.

The Stock Exchange has introduced a number of changes to the Listing Rules on share option scheme which came into effect on 1st September, 2001. In view of the expiry of the Scheme on 24th November, 2004 and the compliance of the new rules, a resolution will be proposed at the forthcoming annual general meeting to adopt a new share option scheme.

## SUBSTANTIAL SHAREHOLDERS' INTERESTS/SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31st December, 2003, the following persons had interests of 5% or more in the issued shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO:

Name	Capacity	Number of shares/underlying shares held	Percentage of total issued shares
China Minmetals Corporation ("Minmetals")*	Interest of controlled corporation (Notes 1 & 2)	475,376,917	36.02% (Note 3)
China Minmetals H.K. (Holdings) Limited ("Minmetals HK")	Interest of controlled corporation (Notes 1 & 2)	475,376,917	36.02% (Note 3)
Coppermine Resources Limited ("Coppermine")	Beneficial owner (Notes 1 & 2)	475,376,917	36.02% (Note 3)
The State Nonferrous Metals Industry Administration ("SNMIA")**	Interest of controlled corporation (Note 4)	376,989,943	28.57%
China Nonferrous Metals Holdings (Cook Islands) Limited ("CNCI")	Interest of controlled corporation (Note 4)	376,989,943	28.57%
China Nonferrous Metals Group (Hong Kong) Limited ("CNMG(HK)")***	Beneficial owner (Note 4)	376,989,943	28.57%



## SUBSTANTIAL SHAREHOLDERS' INTERESTS/SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY (cont'd)

- \* *With the approval from the State-Owned Assets Supervision and Administration Commission under the State Council of the PRC and the State Administration of Industry and Commerce of the PRC, the name of Minmetals has been changed from "China National Metals & Minerals Import & Export Corporation" to "China Minmetals Corporation" with effect from 18th January, 2004*
- \*\* *On 19th February, 2001, the State Economic and Trade Commission of the PRC promulgated that SNMIA was dissolved in the course of restructuring of the nonferrous metals industry in the PRC.*
- \*\*\* *The High Court of the Hong Kong Special Administrative Region issued an order for the winding up of CNMG(HK) on 8th May, 2002 and ordered that Messrs. John Lees and Desmond Chiong be appointed as the liquidators of CNMG(HK) on 19th June, 2002.*

### Notes:

- (1) Pursuant to the Subscription Agreement entered into between the Company and Coppermine on 15th October, 2003 and the respective ordinary resolution duly passed at the Extraordinary General Meeting of the Company held on 3rd December, 2003, whereby the Company had agreed to issue 475,376,917 shares of HK\$0.05 each to Coppermine and Coppermine had agreed to subscribe for such shares following the completion of the Capital Restructuring. Details of Subscription Agreement and the Capital Restructuring were disclosed in the circular jointly made by the Company, Coppermine and Minmetals HK dated 6th November, 2003.
- (2) Coppermine is a wholly-owned subsidiary of Minmetals HK which in turn is a wholly-owned subsidiary of Minmetals. Accordingly, Minmetals HK and Minmetals were by virtue of the SFO deemed to be interested in the 475,376,917 shares of HK\$0.05 each of the Company taken to be held by Coppermine under section 322(5) of the SFO as at 31st December, 2003. The completion of the Capital Restructuring took effect on 12th January, 2004.
- (3) The 475,376,917 shares was expressed as a percentage of the total number of the issued shares of HK\$0.10 each (i.e. 1,319,726,950 shares) of the Company as at 31st December, 2003.
- (4) CNMG(HK) was a wholly-owned subsidiary of CNCI which in turn was a wholly-owned subsidiary of SNMIA. Accordingly, CNCI and SNMIA were deemed to be interested in the 376,989,943 shares of the Company held by CNMG(HK) by virtue of the SFO.

Save as disclosed above, no other person was recorded in the register as having an interest or a short position in the shares and underlying shares of the Company in 5% or more of the issued shares of the Company as at 31st December, 2003.

## PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

During the year ended 31st December, 2003, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

## **BANK LOANS AND OTHER BORROWINGS**

Particulars of bank loans of the Company and the Group as at 31st December, 2003 are set out in Note 28 to the accounts. Interest of approximately HK\$7,139,000 (2002: HK\$1,620,000) was capitalised by the Group during the year.

## **RETIREMENT SCHEMES**

Details of the Group's retirement schemes are set out in Note 32 to the accounts.

## **CODE OF BEST PRACTICE**

The Company has complied with the Code of Best Practice (the "Code of Best Practice") as set out in Appendix 14 of the Listing Rules throughout the year ended 31st December, 2003, except that the non-executive directors of the Company are not appointed for a specific term as they are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with articles 85 and 101 of the Company's Articles of Association.

## **AUDIT COMMITTEE**

The Company established an audit committee with written terms of reference consisting of two independent non-executive directors in July 1999 pursuant to the Code of Best Practice. The audit committee of the Company currently has two members comprising two independent non-executive directors, Mr. Chan Wai Dune (Chairman) and Mr. Ting Leung Huel, Stephen. The principal duties of the audit committee include the review and supervision of the Company's financial reporting process and internal controls. During the year, the committee held two meetings.

### CONNECTED PARTY TRANSACTIONS

During the year, the Group entered into the following connected transactions as defined under the Listing Rules:

The Company and China Nonferrous Metals Group (Hong Kong) Limited ("in liquidation") ("CNMG(HK)"), the former controlling shareholder of the Company, entered into an agreement on 12th May, 2000 (the "Service Agreement") in respect of the sharing of administrative costs for administration services rendered by CNMG(HK) for the period from 1st January, 2000 to 31st December, 2002. Based on the amounts estimated as specified in the cash flow forecast of CNMG(HK) for the year 2000, the maximum amounts to be paid by the Company were expected to be not more than approximately HK\$4.1 million, HK\$4.5 million and HK\$5 million for the years 2000, 2001 and 2002, respectively. A waiver was granted by the Stock Exchange on 6th July, 2000 from strict compliance with the connected transaction requirements as set out in Chapter 14 of the Listing Rules in respect of the Service Agreement subject to the fulfillment of certain conditions.

CNMG(HK) received a winding up order in May 2002 and is now in the process of liquidation. During the year, the liquidator of CNMG(HK), in accordance with the Service Agreement, charged the Company an amount of approximately HK\$450,000 for the administrative costs to be shared by the Company that had not been previously charged by CNMG(HK) for the period from 1st January, 2002 to 31st March, 2002.

### DE-MINIMIS CONCESSION

On 30th April, 2003, the Stock Exchange has approved the Company's application for the De-minimis Concession for the purpose of determining the "assets test" and the "consideration test" under Chapter 14 of the Listing Rules for classifying notifiable transactions (other than connected transactions) of the Company.

As such, the "assets test" and the "consideration test" will not apply to each transaction (other than connected transaction) carried out in the ordinary course of business of the Group, which is entered into on normal commercial terms, and where the aggregate consideration or value of the transaction does not exceed HK\$1,000,000, and such transaction will not be subject to shareholders' approval and disclosure requirements.

The Stock Exchange's approval for the use of the De-minimis Concession will remain valid from 30th April, 2003 until publication or the due date of publication of the Company's next annual report for the year ended 31st December, 2003, whichever is earlier.

As at 31st December, 2003, the Company had an audited consolidated net deficit of approximately HK\$262,000,000. Hence, the Company will make another application to the Stock Exchange for a De-minimis Concession in accordance to the Listing Rules.

## FINANCIAL ASSISTANCE AND GUARANTEE TO ASSOCIATED COMPANIES

As at 31st December, 2003, the Group's financial assistance to and guarantee given for the bank loan granted to its associated companies amounted to HK\$6 million (net of provision of approximately HK\$96 million) and HK\$24 million respectively, which in aggregate representing more than 25% of the net assets value of the Group as at 31st December, 2003 (the Group was in net liabilities). Disclosure should be made in accordance with the Practice Note Number 19 of the Listing Rules.

A proforma combined balance sheet of the above mentioned associated companies as at 31st March, 2004 (being the latest practicable date for this report) is set out below:–

	<b>Proforma combined balance</b> HK\$ million	<b>The Group's attributable interest</b> HK\$ million
Non-current assets	164	41
Current assets	393	98
Current liabilities	(407)	(101)
Net current liabilities	(14)	(3)
Net assets	150	38
Share capital	94	24
Reserves	56	14
	150	38

All the above figures are unaudited.

## DIRECTORS AND MANAGEMENT

Particulars of directors and management are set out on pages 19 to 21 of this annual report.

**FIVE-YEAR FINANCIAL SUMMARY**

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on pages 85 and 86 of this annual report.

**AUDITORS**

The accounts for the year ended 31st December, 2001 were audited by Arthur Andersen & Co. The accounts for the year ended 31st December, 2002 and 2003 were audited by PricewaterhouseCoopers who will retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-appointment.

By order of the Board

**Xu Huizhong**

*Director and President*

Hong Kong, 16th April, 2004





羅兵咸永道會計師事務所

PricewaterhouseCoopers  
22nd Floor Prince's Building  
Central Hong Kong

**AUDITORS' REPORT TO THE SHAREHOLDERS OF  
ORIENTAL METALS (HOLDINGS) COMPANY LIMITED**

*(incorporated in Hong Kong with limited liability)*

We have audited the accounts on pages 35 to 84 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

**RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS**

The Hong Kong Companies Ordinance requires the directors to prepare accounts which give a true and fair view. In preparing accounts which give a true and fair view, it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you, as a body, in accordance with section 141 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

**BASIS OF OPINION**

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the circumstances of the Company and the Group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the accounts are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts. We believe our audit provides a reasonable basis for our opinion.

**OPINION**

In our opinion the accounts give a true and fair view of the state of affairs of the Company and of the Group as at 31st December, 2003 and of the Group's profit and cash flows for the year then ended and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

**PricewaterhouseCoopers**

*Certified Public Accountants*

Hong Kong, 16th April, 2004

# CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the year ended 31st December, 2003

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	Note	2003 HK\$'000	2002 HK\$'000
<b>Turnover</b>			
– Continuing operations		1,286,240	812,199
– Discontinuing operation		76,832	63,477
	3 & 4	<u>1,363,072</u>	<u>875,676</u>
Cost of sales		<u>(1,130,287)</u>	<u>(767,196)</u>
Gross profit		232,785	108,480
Other revenues	3	4,973	3,009
Other income, net		<u>5,169</u>	<u>1,400</u>
		242,927	112,889
Selling expenses		(37,977)	(31,047)
Administrative expenses		(76,383)	(61,220)
Other operating (expenses)/income	5	<u>(10,126)</u>	<u>53,115</u>
Profit from operations			
– Continuing operations		107,869	69,432
– Discontinuing operation		10,572	4,305
	4 & 6	<u>118,441</u>	<u>73,737</u>
Finance costs	7	(38,195)	(52,084)
Share of profits less losses of associated companies		<u>11,321</u>	<u>5,851</u>
<b>Profit before taxation</b>			
– Continuing operations		85,180	28,378
– Discontinuing operation		6,387	(874)
		91,567	27,504
Taxation	8	<u>6,470</u>	<u>(2,487)</u>
<b>Profit after taxation</b>		98,037	25,017
Minority interests		<u>(8,835)</u>	<u>(5,341)</u>
<b>Profit attributable to shareholders</b>	9	<u>89,202</u>	<u>19,676</u>
Dividends	10	<u>–</u>	<u>–</u>
Basic earnings per share	11	<u>HK\$0.68</u>	<u>HK\$0.15</u>
<b>Profit for the year is retained as follows:</b>			
– By the Company and its subsidiaries		79,959	14,133
– By associated companies		9,243	5,543
		<u>89,202</u>	<u>19,676</u>

	Note	2003 HK\$'000	2002 HK\$'000
<b>Non-current assets</b>			
Fixed assets	14	286,337	331,871
Construction in progress	15	202,381	84,892
Interests in associated companies	17	48,121	64,981
Investment securities	18	2,217	2,146
Long-term receivables	19	5,392	6,226
Deferred tax assets	26	12,916	—
		<u>557,364</u>	<u>490,116</u>
<b>Current assets</b>			
Inventories	20	170,620	208,155
Trade receivables, prepayments and other receivables	21	230,962	201,090
Taxation recoverable		—	1,516
Pledged bank deposits		9,892	3,056
Cash and bank balances		140,879	95,810
		<u>552,353</u>	<u>509,627</u>
<b>Current liabilities</b>			
Trade payables and accrued charges	22	280,006	211,154
Bills payable		11,321	29,245
Amount due to a shareholder	23	4,930	4,478
Amounts due to related companies	23	51,630	50,056
Amounts due to associated companies	17	7,250	12,381
Amounts due to minority shareholders	24	31,730	30,187
Taxation payable	25	8,389	9,721
Provision	27	7,501	9,315
Bank loans	28	638,514	631,551
		<u>1,041,271</u>	<u>988,088</u>
<b>Net current liabilities</b>		<u>(488,918)</u>	<u>(478,461)</u>
<b>Total assets less current liabilities</b>		<u>68,446</u>	<u>11,655</u>

# CONSOLIDATED BALANCE SHEET

As at 31st December, 2003

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	Note	2003 HK\$'000	2002 HK\$'000
Financed by:			
Share capital	29	131,973	131,973
Reserves	30	(393,778)	(483,042)
Deficit on shareholders' funds		(261,805)	(351,069)
Minority interests		165,157	158,007
Non-current liabilities			
Bank loans	28	136,792	176,415
Deferred income	31	28,302	28,302
		68,446	11,655

**Xu Huizhong**  
*President and Director*

**Tang Xiaojin**  
*Vice President and Director*

	Note	2003 HK\$'000	2002 HK\$'000
<b>Non-current assets</b>			
Fixed assets	14	8,096	6,177
Investments in subsidiaries	16	118,800	122,753
Investment securities	18	179	108
Long-term receivables	19	—	—
		<u>127,075</u>	<u>129,038</u>
<b>Current assets</b>			
Prepayments and other receivables		561	378
Cash and bank balances		97,900	6,207
		<u>98,461</u>	<u>6,585</u>
<b>Current liabilities</b>			
Accrued charges		48,747	36,630
Amount due to a shareholder	23	4,930	4,478
Amounts due to related companies	23	41,316	39,633
Taxation payable	25	319	1,174
Bank loans	28	379,013	377,752
		<u>474,325</u>	<u>459,667</u>
<b>Net current liabilities</b>		<u>(375,864)</u>	<u>(453,082)</u>
<b>Total assets less current liabilities</b>		<u>(248,789)</u>	<u>(324,044)</u>
Financed by:			
Share capital	29	131,973	131,973
Reserves	30	(380,762)	(456,017)
		<u>(248,789)</u>	<u>(324,044)</u>

**Xu Huizhong**  
President and Director

**Tang Xiaojin**  
Vice President and Director



## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31st December, 2003

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	<b>2003</b> <b>HK\$'000</b>	2002 HK\$'000
Total deficit as at 1st January	<u><b>(351,069)</b></u>	<u>(363,408)</u>
Net gain not recognised in the profit and loss account – reversal of provision for impairment loss on land and buildings credited to revaluation reserve	<b>62</b>	–
Profit attributable to shareholders	<b>89,202</b>	19,676
Capital reserve transferred to profit and loss account upon deconsolidation of a subsidiary under liquidation	<u>–</u>	<u>(7,337)</u>
Total deficit as at 31st December	<u><b>(261,805)</b></u>	<u>(351,069)</u>

**CONSOLIDATED CASH FLOW STATEMENT**

For the year ended 31st December, 2003

	Note	2003 HK\$'000	2002 HK\$'000
<b>Operating activities</b>			
Cash generated from operations	34(a)	230,657	70,095
Interest paid		(27,824)	(32,556)
PRC taxes paid		(5,700)	(2,341)
<b>Net cash from operating activities</b>		<u>197,133</u>	<u>35,198</u>
<b>Investing activities</b>			
Purchase of fixed assets		(3,373)	(2,822)
Proceeds from disposal of fixed assets		447	223
Payment for additions to construction in progress		(112,117)	(59,651)
Dividends received from an associated company		1,642	6,952
Interest received		690	391
Increase in pledged bank deposits		(6,836)	(3,056)
Deconsolidation of a subsidiary under liquidation, net cash disposed		—	(27)
<b>Net cash used in investing activities</b>		<u>(119,547)</u>	<u>(57,990)</u>
		<u>77,586</u>	<u>(22,792)</u>
<b>Financing activities</b>	34(b)		
Dividend paid to minority shareholders		(1,686)	(3,236)
Proceeds from new bank loans		31,073	87,292
Repayment of bank loans		(63,733)	(39,740)
Increase/(decrease) in amounts due to a shareholder		452	(2,838)
Decrease in amounts due to related companies		(166)	(1,349)
Increase/(decrease) in amounts due to minority shareholders		1,543	(6,248)
Proceeds from government grant		—	28,302
<b>Net cash (used in)/from financing</b>		<u>(32,517)</u>	<u>62,183</u>

## CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31st December, 2003

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	Note	2003 HK\$'000	2002 HK\$'000
Increase in cash and cash equivalents		45,069	39,391
Cash and cash equivalents at 1st January		95,810	56,417
Effect of foreign exchange adjustments		—	2
		<hr/>	<hr/>
<b>Cash and cash equivalents at 31st December</b>		<b>140,879</b>	<b>95,810</b>
		<hr/>	<hr/>
<b>Analysis of balances of cash and cash equivalents</b>			
Cash and bank balances		140,879	95,810
		<hr/>	<hr/>

## 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:

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

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

**4. DISCONTINUING OPERATION** (*cont'd*)

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

**5. OTHER OPERATING (EXPENSES)/INCOME**

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



## 6. PROFIT FROM OPERATIONS

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

	2003 HK\$'000	2002 HK\$'000
<b>Charging:</b>		
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
	<b>—</b>	<b>—</b>
<b>Crediting:</b>		
Reversal of provision for inventory obsolescence	658	338
Interest income	690	391
	<b>—</b>	<b>—</b>

## 7. FINANCE COSTS

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

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:

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

**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:

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

	<b>2003</b> <b>HK\$'000</b>	2002 HK\$'000
Staff costs, including directors' emoluments, consist of:		
Wages and salaries	<b>40,439</b>	37,845
Unutilised annual leave	–	86
Long service payment	<b>19</b>	179
Retirement scheme contributions (see Note 32)	<b>7,687</b>	6,845
	<b>48,145</b>	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
	<u>4,722</u>	<u>4,166</u>

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
	<u>9</u>	<u>12</u>

**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:

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

Their emoluments fell within the following band:

	<b>Number of individuals</b>	
	<b>2003</b>	<b>2002</b>
Nil – HK\$1,000,000	<b>2</b>	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 HK\$'000	Leasehold improve- ments HK\$'000	Plant and machinery HK\$'000	Office equipment HK\$'000	Furniture and fixtures HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
<b>Cost or valuation</b>							
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)
<b>At 31st December, 2003</b>	<b>245,778</b>	<b>1,053</b>	<b>733,491</b>	<b>7,231</b>	<b>18,538</b>	<b>18,121</b>	<b>1,024,212</b>
<b>Analysis of cost or valuation is as follows:</b>							
At cost	219,628	1,053	733,491	7,231	18,538	18,121	998,062
At valuation – 1994	26,150	-	-	-	-	-	26,150
	<b>245,778</b>	<b>1,053</b>	<b>733,491</b>	<b>7,231</b>	<b>18,538</b>	<b>18,121</b>	<b>1,024,212</b>
<b>Accumulated depreciation and impairment losses</b>							
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
<b>At 31st December, 2003</b>	<b>134,037</b>	<b>846</b>	<b>568,969</b>	<b>4,459</b>	<b>14,066</b>	<b>15,498</b>	<b>737,875</b>
<b>Net book value</b>							
<b>At 31st December, 2003</b>	<b>111,741</b>	<b>207</b>	<b>164,522</b>	<b>2,772</b>	<b>4,472</b>	<b>2,623</b>	<b>286,337</b>
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**

	<b>Land and buildings</b>	<b>Leasehold improve- ments</b>	<b>Furniture and fixtures</b>	<b>Motor vehicles</b>	<b>Total</b>
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Cost or valuation</b>					
At 1st January, 2003	26,073	1,182	2,055	2,028	31,338
Additions	–	265	159	–	424
Disposals	–	(390)	(281)	(588)	(1,259)
<b>At 31st December, 2003</b>	<b>26,073</b>	<b>1,057</b>	<b>1,933</b>	<b>1,440</b>	<b>30,503</b>
<b>Analysis of cost or valuation is as follows:</b>					
At cost	4,823	1,057	1,933	1,440	9,253
At valuation – 1994	21,250	–	–	–	21,250
	26,073	1,057	1,933	1,440	30,503
<b>Accumulated depreciation and impairment losses</b>					
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)
<b>At 31st December, 2003</b>	<b>18,373</b>	<b>849</b>	<b>1,745</b>	<b>1,440</b>	<b>22,407</b>
<b>Net book value</b>					
<b>At 31st December, 2003</b>	<b>7,700</b>	<b>208</b>	<b>188</b>	<b>–</b>	<b>8,096</b>
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
<b>Land and buildings</b>				
Held in Hong Kong on				
– long-term leases				
(over 50 years)	<b>250</b>	292	<b>250</b>	292
Held in the PRC on				
– medium-term leases				
(10 – 50 years)	<b>103,993</b>	109,369	<b>7,450</b>	5,762
– short-term leases				
(less than 10 years)	<b>7,498</b>	11,768	–	–
	<b>111,741</b>	121,429	<b>7,700</b>	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	<b>2,710</b>	1,321
The Company	<b>2,266</b>	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**

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

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**

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

*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 <sup>1</sup>	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 <sup>1</sup>	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 <sup>2</sup>	PRC	Production and sale of aluminium foil and extrusions	Rmb344,800,000	–	51%
Yinkou Orienmet Plica Tube Company Limited <sup>2</sup>	PRC	Production and sale of plica tubes	US\$4,000,000	–	51%
Yixing Jinfeng Copper Materials Company Limited <sup>2</sup>	PRC	Production and sale of copper wires	US\$2,619,048	–	58%
Zhangzhou International Aluminium Container Company Limited <sup>2</sup>	PRC	Production and sale of aluminium cans, container and packaging products	US\$20,000,000	–	60%

<sup>1</sup> The class of shares held is ordinary.

<sup>2</sup> 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 HK\$'000	2002 HK\$'000
Share of net assets	42,272	34,671
Amounts due from associated companies (Note (i))	101,668	149,349
Less: Provision for doubtful debts	(95,819)	(119,039)
	5,849	30,310
	48,121	64,981
Amounts due to associated companies (Note (i))	7,250	12,381

*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:

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

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 <sup>1</sup>	PRC	Production and sale of copper blisters	US\$46,600,000	30%
Qingdao M.C. Packaging Limited <sup>1</sup>	PRC	Production and sale of aluminium cans	US\$25,000,000	20%
Shanghai Jing Bao Copper Foil Limited <sup>1</sup>	PRC	Production and sale of copper foil	Rmb29,450,000	25%
Yantai Penghui Copper Industry Company Limited <sup>1</sup>	PRC	Production and sale of copper cathodes	Rmb132,000,000	42%
Yinxing Company Limited <sup>1</sup>	PRC	Sale of aluminium ingots	Rmb14,322,600	34%

<sup>1</sup> *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**

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

**19. LONG-TERM RECEIVABLES**

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

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

**20. INVENTORIES**

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

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:

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

**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
	<b>111,178</b>	<b>100</b>	<b>76,305</b>	<b>100</b>

**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
	<b>8,389</b>	<b>9,721</b>	<b>319</b>	<b>1,174</b>



## 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	
			Tax losses		Others			
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 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**

	<b>The Group</b>		<b>The Company</b>	
	<b>2003</b>	2002	<b>2003</b>	2002
	<b>HK\$'000</b>	HK\$'000	<b>HK\$'000</b>	HK\$'000
Within one year or on demand				
Secured bank loans	<b>218,558</b>	212,405	–	–
Unsecured bank loans	<b>419,956</b>	419,146	<b>379,013</b>	377,752
Included under current liabilities	<b>638,514</b>	631,551	<b>379,013</b>	377,752
After one year but within two years				
Secured bank loans	<b>14,151</b>	23,585	–	–
After two years but within five years				
Secured bank loans	<b>122,641</b>	152,830	–	–
Included under non-current liabilities	<b>136,792</b>	176,415	–	–
	<b>775,306</b>	807,966	<b>379,013</b>	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 '000	2002 '000	2003 HK\$'000	2002 HK\$'000
Authorised:				
Ordinary shares of HK\$0.1 each	<b>3,000,000</b>	3,000,000	<b>300,000</b>	300,000
Issued and fully paid:				
Ordinary shares of HK\$0.1 each	<b>1,319,727</b>	1,319,727	<b>131,973</b>	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
<b>At 31st December, 2003</b>	<b>800,030</b>	<b>558</b>	<b>15,600</b>	<b>-</b>	<b>69,614</b>	<b>2,877</b>	<b>(1,282,457)</b>	<b>(393,778)</b>
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)
	<b>800,030</b>	<b>496</b>	<b>15,600</b>	<b>-</b>	<b>64,422</b>	<b>2,877</b>	<b>(1,366,467)</b>	<b>(483,042)</b>
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)
	<b>800,030</b>	<b>558</b>	<b>15,600</b>	<b>-</b>	<b>69,614</b>	<b>2,877</b>	<b>(1,282,457)</b>	<b>(393,778)</b>

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

	<b>Share premium</b> HK\$'000	<b>General reserve</b> HK\$'000	<b>Accumulated Losses</b> HK\$'000	<b>Total</b> 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
<b>At 31st December, 2003</b>	<b>800,030</b>	<b>15,600</b>	<b>(1,196,392)</b>	<b>(380,762)</b>

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**

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



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

	Bank loans		Amount due to	Amounts due	Amounts due	Total
	Short-term	Long-term	a shareholder	to related	to minority	
	HK\$'000	HK\$'000	HK\$'000	companies	shareholders	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/>
<b>At 31st December, 2003</b>	<b>638,514</b>	<b>136,792</b>	<b>4,930</b>	<b>51,630</b>	<b>31,730</b>	<b>863,596</b>

**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:

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

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

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

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:

	<b>The Group</b>	
	<b>2003</b>	2002
	<b>HK\$'000</b>	HK\$'000
Purchases of nonferrous metals from an associated company	<b>74,208</b>	91,654
Transportation fees paid to an associated company	<b>9,312</b>	8,113
Sales of nonferrous metals to an associated company	<b>4,113</b>	5,000
Interest expense paid to a related company	<b>1,740</b>	1,010
Rental income received from an associated company	<b>603</b>	283
Management fees paid to a shareholder	<b>450</b>	—
	<b>80,326</b>	105,060

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.

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out below:

As at 31st December,										
	2003	2003	2002	2002	2001	2001	2000	2000	1999	1999
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	Continuing Operations	Discontinuing Operation	Continuing Operations	Discontinuing Operation	Continuing Operations	Discontinuing Operation	Continuing Operations	Discontinuing Operation	Continuing Operations	Discontinuing Operation
<b>RESULTS</b>										
Turnover	1,286,240	76,832	812,199	63,477	1,174,322	59,955	1,376,326	66,197	998,911	116,714
Profit/(loss) from operations	107,869	10,572	69,432	4,305	(710,313)	(67,065)	(13,888)	(80,694)	(40,481)	(22,394)
Finance costs	(34,010)	(4,185)	(46,905)	(5,179)	(52,294)	(6,031)	(58,565)	(12,336)	(70,827)	(9,037)
Share of profits less losses of associated companies	11,321	-	5,851	-	(41,965)	-	(58,446)	-	(58,078)	-
Profit/(loss) before taxation	85,180	6,387	28,378	(874)	(804,572)	(73,096)	(130,899)	(93,030)	(169,386)	(31,431)
Taxation	6,470	-	(2,487)	-	(3,233)	-	(2,185)	-	(1,511)	-
Profit/(loss) after taxation	91,650	6,387	25,891	(874)	(807,805)	(73,096)	(133,084)	(93,030)	(170,897)	(31,431)
Minority interests	(8,835)	-	(5,341)	-	17,893	-	60,983	-	8,062	-
Profit/(loss) attributable to shareholders	82,815	6,387	20,550	(874)	(789,912)	(73,096)	(72,101)	(93,030)	(162,835)	(31,431)
Dividends	-	-	-	-	-	-	-	-	-	-
Profit/(loss) for the year	82,815	6,387	20,550	(874)	(789,912)	(73,096)	(72,101)	(93,030)	(162,835)	(31,431)

As at 31st December,										
	2003	2003	2002	2002	2001	2001	2000	2000	1999	1999
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	Continuing	Discontinuing	Continuing	Discontinuing	Continuing	Discontinuing	Continuing	Discontinuing	Continuing	Discontinuing
	Operations	Operation	Operations	Operation	Operations	Operation	Operations	Operation	Operations	Operation
<b>Assets and liabilities</b>										
Fixed assets	281,875	4,462	323,029	8,842	349,327	17,904	413,895	68,530	437,069	174,083
Construction in progress	202,381	-	84,892	-	44,891	-	22,562	-	16,563	-
Interests in associated companies	48,121	-	64,981	-	90,380	-	234,421	-	318,877	-
Long-term receivables	5,392	-	6,226	-	6,226	-	6,418	-	11,090	-
Deferred tax assets	12,916	-	-	-	-	-	-	-	-	-
Other non-current assets	179	2,038	108	2,038	9	2,038	4,470	2,534	30,928	2,866
Net current (liabilities)/assets	(414,835)	(74,083)	(393,610)	(84,851)	(478,072)	(93,039)	162,107	(71,064)	175,745	(84,243)
Total assets less current liabilities	136,029	(67,583)	85,626	(73,971)	12,761	(73,097)	843,873	-	990,272	92,706
Minority interests	(165,157)	-	(158,007)	-	(155,902)	-	(206,256)	-	(204,721)	-
Non-current liabilities	(165,094)	-	(204,717)	-	(147,170)	-	(131,889)	-	(138,556)	-
Net (liabilities)/assets	(194,222)	(67,583)	(277,098)	(73,971)	(290,311)	(73,097)	505,728	-	646,995	92,706
Share capital	131,973	-	131,973	-	131,973	-	131,973	-	131,973	-
Reserves	(326,195)	-	(409,071)	-	(422,284)	-	373,755	-	515,022	-
	(194,222)	-	(277,098)	-	(290,311)	-	505,728	-	646,995	-

All of the above are consolidated figures.

On 15th April, 2004, certain investors of ZIAC applied to wind up ZIAC before the expiration of its joint venture agreement in September 2004. The results, assets and liabilities of ZIAC were reported in this summary as a discontinuing operation.