



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



Annual Report 年報  
2004

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## CORPORATE INFORMATION

### BOARD OF DIRECTORS

#### Executive Directors

LIN Xizhong (*Chairman*)

XU Huizhong

QIAN Wenchao

TANG Xiaojin

#### Independent Non-executive Directors

LIU Hongru

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 REGISTRAR

Computershare Hong Kong Investor

Services Limited

17th Floor, Hopewell Centre

183 Queen's Road East

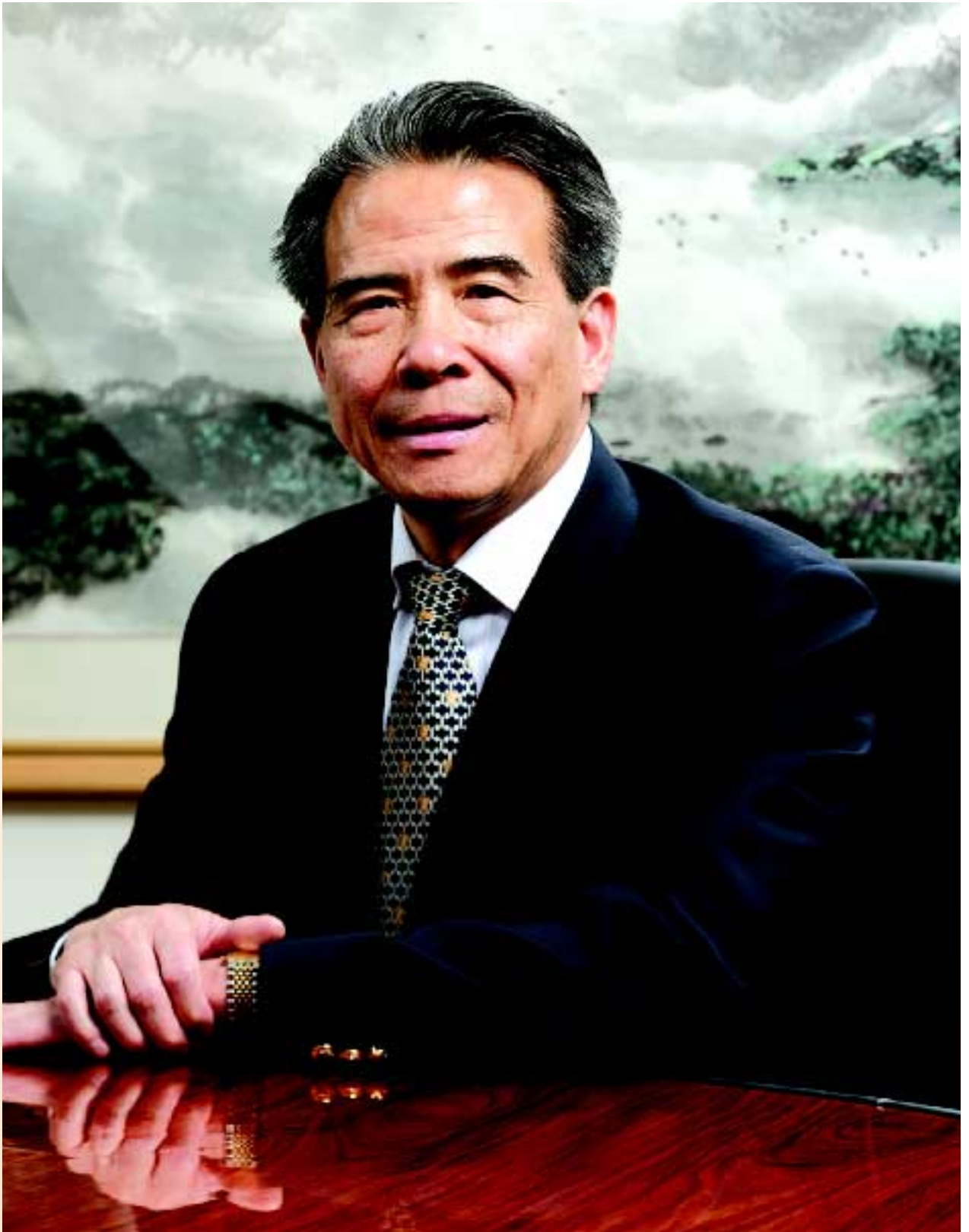
Hong Kong

### PRINCIPAL BANKERS

Citic Ka Wah Bank Limited

Standard Bank London Limited

## CHAIRMAN'S STATEMENT



Mr. Lin Xizhong  
Chairman

## CHAIRMAN'S STATEMENT

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

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

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

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

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

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

## CHAIRMAN'S STATEMENT

### OUTLOOK

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

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

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

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

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

## MANAGEMENT DISCUSSION AND ANALYSIS



Mr. Xu Huizhong  
Director and President

### RESULTS

Apart from exploring new business opportunities and taking measures to improve the returns from its direct industrial investments, the Group also endeavored to enhance its overall operating efficiency by rationalizing its structure and consolidating its business in 2004. Through all these efforts, the Group achieved substantial growth in profit for the year. At the beginning of 2004, the Group completed its debt restructuring and resolved the prolonged overdue bank debts problem. The financial position of the Group has improved significantly since then. Near the end of 2004, the Group announced the signing of a conditional acquisition agreement with a subsidiary of China Minmetals Corporation ("China Minmetals"), the Group's ultimate controlling shareholder, for the acquisition of its alumina and aluminium business (Please refer the Company's announcement dated 30 December 2004 for details). Through the acquisition, the

Group aims to widen its alumina related operation by increasing its business scale and to strengthen its alumina trading operation as its core operation.

Group's turnover for the year of 2004 amounted to approximately HK\$1,288.5 million, a slight drop of 5% from the corresponding period in 2003. Gross profit of the Group declined by 17% to approximately HK\$192.9 million, primarily due to the reduction in the trading volume of alumina. However, because of the decrease in finance costs and increase in other operating income as well as the reversal of the consolidated losses arising from the liquidation of two under-performed subsidiaries, the consolidated profit attributable to shareholders for 2004 increased by 144% to approximately HK\$217.7 million.

### BUSINESS REVIEW

#### Trading Operation

Concerning about the trading operation in 2004, the Group still concentrated on alumina trading, which accounted for approximately 13% of the Group's total turnover for the year. Due to the macro-economic control policies and the strong demand for alumina in China, the prices of alumina in both the international and China markets saw a noticeable fluctuation in 2004. However, the prices still remained high and hence boosted the profit margin for alumina trading. Nevertheless, this positive effect was outweighed by the effect of the decrease in trade volume (from approximately 140,000 tonnes in 2003 to approximately 59,000 tonnes in 2004). The gross profit of the trading operation decreased by 31% when compared to 2003.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Direct Industrial Investments

The Group's direct industrial investments are all located in the Mainland China and are mainly in the areas of aluminium refinery, copper refinery and plica tubes production. In 2004, with further consolidation, rationalization and more strengthened control, continued improvements were noted in these ventures. The overall turnover derived from the continuing operations of the direct industrial investments accounted for approximately 85% of the Group's total turnover and amounted to approximately HK\$1,093.7 million, representing a 11% increase over last year. The net profits derived from the continuing operations of the direct industrial investments also increased significantly by 54%.

The performance of the direct industrial investments, which principally affected the Group's result for the year, is analysed as follows:

#### *Aluminium Refinery*

##### North China Aluminium Company Limited ("NCA")

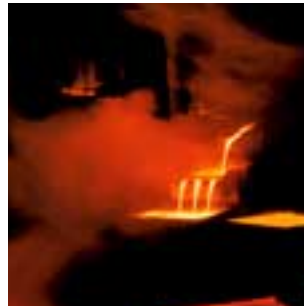
NCA is owned as to 51% by the Group. NCA is mainly engaged in the production and sales of aluminium foils and extrusions. Its products were supplied to the electrical appliances, packaging, publishing and transportation sectors. Despite the severe competition in the aluminium foils market, NCA, by adjusting its product mix and reducing its production costs, still managed to achieve continuous growth in both turnover and profit in 2004. Its total sales volume increased by 3% to approximately 50,000 tonnes.



(Back row from left) Mr. Liu Hongru, Mr. Chan Wai Dune, Mr. Tang Xiaojin, Mr. Ting Leung Huel, Stephen  
(Front row from left) Mr. Xu Huizhong, Mr. Lin Xizhong, Mr. Qian Wenchao



## MANAGEMENT DISCUSSION AND ANALYSIS



Due to the fierce market competition, the profit margins of some products like light gauge aluminium foil, aluminium foil for beer mark and aluminium for decoration were under pressure. On the other hand, as a result of the enhancement in production technology, the contributions from products like hydrophilic fin stock and bare fin stock have improved.

To reinforce its competitive position in the market, NCA will continue to focus on research and development with a view to enhance its product quality and enrich its product variety. It will also take steps to integrate its resources, exploit market, expand production capacity and reduce production costs so as to further enhance its competitive power.

### *Copper Refinery and Plica Tubes Production*

#### Yingkou Orienmet Plica Tube Company Limited ("YOPT")

YOPT is owned as to 51% by the Group. Its principal business is the manufacturing of flexible metal conduits, which are mainly used in construction, infrastructure, machinery engineering, power network as well as anti-explosion and increased-safety wiring system. Driven by the ongoing economic growth in China and in particular the rapid development of the infrastructure, the sales volume of plica tubes increased by 23% to approximately 2.06 million metre. Net profit of YOPT also increased by approximately 32%.

Foreseeing that the trend of price rise in raw materials may extend to 2005, YOPT has adopted various counter measures to alleviate the adverse effect on its profit.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Changzhou Jinyuan Copper Company Limited ("CZJY")

CZJY is owned as to 25% by the Group and is specialised in the production of copper wire rods. The sharp rise and significant fluctuation in copper price, the soaring spot price of copper cathode, and the inflated costs in consumables caused a drastic increase in CZJY's production costs. High copper prices also drove up the demand for working capital, leading to an upsurge of finance costs. Despite these, CZJY has strived to expand its market in 2004 and achieved a 9% increase in its sales volume. And by adopting opportune marketing strategies, its earning for the year was better maintained, with a slight increase of approximately 2% in its net profit.

Besides, it is expected that because of the implementation of new copper rod production lines by some domestic manufacturers, the intensifying competition in the copper rod market may continue in 2005. To meet this challenge and attract new customers, CZJY has been adopting various measures including innovation of production processes, upgrade of production capacity, implementation of TPM (Total Productive Maintenance) project and strengthening of customer services, to promote its operating efficiency.

### *Discontinuing Operations*

As disclosed in the 2003 Annual Report and the 2004 Interim Report of the Company, in order to optimise resources allocation and enhance return on investments, the Group has taken measures to rationalise its direct industrial investments from time to time. Two under-performed subsidiaries, namely Zhangzhou International Aluminium Container Company Limited ("ZIAC") and Yixing Jinfeng Copper Materials Company Limited ("YJCM"), were wound up in June 2004 and July 2004 respectively.

As ZIAC and YJCM in aggregate only accounted for approximately 6% of the Group's total turnover and 2% of the Group's total net profit for the year ended 31 December 2003, their termination would pose no material adverse impact on the Group and could enable the Group to concentrate its resources on more competitive and promising operations.

The operating results of ZIAC and YJCM, up to their respective dates of liquidation, were disclosed as discontinuing operations in the current reporting year. The net profit derived from discontinuing operations amounted to approximately HK\$74.6 million, comprising: (i) the reversal of consolidated losses upon deconsolidation of ZIAC and YJCM of approximately HK\$97.4 million and (ii) the Group's share of losses of ZIAC and YJCM up to their respective dates of liquidation of approximately HK\$22.8 million in 2004.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Liquidity, Financial Resources and Gearing Ratio

The Group achieved a significant improvement in its financial position during the year. The shareholders' fund of the Group changed from a deficit of approximately HK\$261.8 million as at 31 December 2003 to a surplus of approximately HK\$422.0 million as at 31 December 2004, representing an increase of approximately HK\$683.8 million. The substantial improvement in the overall net assets position of the Group was mainly attributable to (i) the restructuring of debts in an aggregate amount of approximately HK\$466.7 million as a result of the acquisition of the Group by China Minmetals through its subsidiary in January 2004 and (ii) the consolidated profits of approximately HK\$217.7 million recorded in 2004.

Net cash flow from operations during 2004 was approximately HK\$123.0 million. As at 31 December 2004, the Group had cash in hand and cash deposits of approximately HK\$190.9 million (all are unpledged except for the Renminbi deposits of approximately HK\$14.6 million), of which approximately 66% and 32% were denominated in US dollars and Renminbi respectively, while the remaining was in Hong Kong dollars.

As at 31 December 2004, the Group's total outstanding bank loans amounted to approximately HK\$313.2 million, of which approximately HK\$94.3 million was repayable after one year. All the bank loans were denominated in Renminbi and at fixed interest rates. As compared to 2003, the total bank loans of the Group decreased by approximately HK\$462.1 million, which was mainly due to the acquisition of certain bank loans by the subsidiary of China Minmetals during the course of its acquisition of the Group in January 2004.

As at 31 December 2004, the bank debt to equity ratio, which is measured as total bank loans (net of cash balances) as a proportion of shareholders' equity, was 29%.

### Capital Expenditure

During the year, the Group's total capital expenditure was approximately HK\$56.1 million, which was mainly used for the acquisition and upgrade of production facilities. The Group's outstanding commitments in this respect was approximately HK\$64.8 million as at 31 December 2004 and the funding of which is scheduled to be settled by bank borrowings and internal funds.

### Foreign Currency Risk

The Group did not enter into any foreign exchange contracts or related hedges during the year since the foreign currency risk exposure was minimal. The Group will continue to adhere to its prudent policy on financial risk management of currency exposure.

## MANAGEMENT DISCUSSION AND ANALYSIS

### **Material Acquisition and Disposals of Subsidiaries and Associated Companies**

Except for the liquidation of ZIAC and YJCM as disclosed above, there was no material acquisition or disposal of subsidiary or associated company during the year.

### **Employees**

As at 31 December 2004, the Group employed approximately 2,500 staff (excluding the staff of associated companies). The total staff costs (including the directors' emoluments) for the year was approximately HK\$70.5 million. The Group adopts a pay policy in line with market practice. Apart from the general remuneration package, the Group also grants share options and discretionary bonuses to eligible staff based on their performance and contribution to the Group. The Group regards quality staff as one of the key factors to corporate success. Various forms of professional training are provided to employees as and when required.

## NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN THAT** the Annual General Meeting of Oriental Metals (Holdings) Company Limited (the “Company”) will be held at Harbour Room I, M/F, Kowloon Shangri-La Hotel, 64 Mody Road, Tsimshatsui East, Kowloon, Hong Kong on 18 May 2005 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 31 December 2004;
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**

- (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;

## NOTICE OF ANNUAL GENERAL MEETING

(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).”

## NOTICE OF ANNUAL GENERAL MEETING

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 (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.”

## NOTICE OF ANNUAL GENERAL MEETING

6. 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 5 set out in this notice to the 20 per cent. general mandate to issue new shares referred to in Resolution 4 set out in this notice.”

7. To transact any other business.

By Order of the Board

**Xu Huizhong**

*Director and President*

Hong Kong, 11 April 2005

*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 registrar of the Company, Computershare Hong Kong Investor Services Limited, at 46/F, 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 12 May 2005 to 18 May 2005, 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 registrar of the Company, Computershare Hong Kong Investor Services Limited, at 17/F, Hopewell Centre, 183 Queen’s Road East, Hong Kong not later than 4:00 p.m. on 11 May 2005.
4. Concerning Resolutions No. 4 and 5, 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 on The Stock Exchange of Hong Kong Limited.
5. A circular containing information on Resolutions No. 2, 4, 5, and 6 is sent to members together with the Annual Report 2004 of the Company.



## DIRECTORS AND MANAGEMENT

### DIRECTORS

#### Executive Directors

**Mr. LIN Xizhong**, aged 59, 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, 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 each of ONFEM Holdings Limited and AXA-Minmetals Assurance Ltd. in Shanghai. Mr. Lin graduated in 1973 with a Bachelor of Arts degree in Literature from the Beijing Foreign Studies University, the PRC. From 1995 to 1998, he was 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 31 years of experience in international trading, strategic investment and financial corporate management.

**Mr. XU Huizhong**, aged 47, was appointed as an Executive Director of the Company in April 2002 and has become the President of the Company since May 2002, responsible for the operation of and strategic planning for the Company. Mr. Xu is a Director and Deputy General Manager of China Minmetals H.K. (Holdings) Limited and an employee of China Minmetals Corporation. He has also served as a Director of a number of subsidiaries and certain associated companies of the Company. Mr. Xu 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 engaged in the trading of metals and property development in the PRC, Japan and New Zealand for over 18 years. Mr. Xu has extensive experience in international metals trading, property development and investment, investment strategies and corporate management.

**Mr. QIAN Wenchao**, aged 39, was appointed as an Executive Director of the Company in January 2004. Mr. Qian is currently a Director of each of China Minmetals H.K. (Holdings) Limited and Coppermine Resources Limited, and an employee of China Minmetals Corporation. He is also a Director of ONFEM Holdings Limited. Mr. Qian has a Bachelor of Arts degree in Economics from Beijing Technology and Business University in the PRC in 1987 and completed his graduate study in accounting in the same university in 1989. He joined China Minmetals Corporation in 1989 and has worked in the Overseas Enterprises Division of China Minmetals Corporation and China Minmetals H.K. (Holdings) Limited with responsibilities in financial management. Mr. Qian has over 11 years of experience in financial corporate management.

## DIRECTORS AND MANAGEMENT

**Mr. TANG Xiaojin**, aged 43, 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. Mr. Tang joined the Group in 1995 and has been the General Manager of Orientmet Industry Company Limited since 1998. He has also served as a Director of certain principal subsidiaries and associated companies of the Company. Mr. Tang graduated from the Faculty of Mechanical Engineering of the Southern Institute of Metallurgy, the previous Jiangxi Institute of Metallurgy, 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 21 years of experience in nonferrous metals industry.

**Mr. GAO Dezhu**, aged 65, 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 60, 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. WANG Xingdong**, aged 44, 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.

## DIRECTORS AND MANAGEMENT

### Independent Non-executive Directors

**Mr. LIU Hongru**, aged 74, was appointed as an Independent Non-executive Director of the Company in September 2004. Mr. Liu graduated from the University of Moscow in 1959 with an associate doctorate's degree. He was a Vice Governor of each of the Agricultural Bank of China and the People's Bank of China, a Deputy Director of the State Economic Restructuring Committee, and the Chairman of the China Securities Regulatory Commission. Mr. Liu is currently the Chairman of The Chinese Financial Education Development Foundation and Capital Market Research Institute, an Independent Non-executive Director of each of PetroChina Company Limited, Titan Petrochemicals Group Limited and CITIC 21CN Company Limited, and a Non-executive Director of Concepta Investments Limited. He is also a professor at the Postgraduate School of the People's Bank of China, Peking University, Tsinghua University and the City University of Hong Kong.

**Mr. CHAN Wai Dune**, aged 52, 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, Mexan Limited, Sam Woo Holdings Limited, Jinheng Automotive Safety Technology Holdings Limited, Sino Union Petroleum & Chemical International Limited and Zhongda International Holdings Limited. Mr. Chan has over 24 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 each of the Association of Chartered Certified Accountants, the Hong Kong Institute of Certified Public Accountants and the Taxation Institute of Hong Kong. Mr. Chan is currently a member of CPPCC of Guangzhou Municipal Committee and a member of the Executive Council of China Overseas Friendship Association. He was a member of the Selection Committee for the establishment of the First Government of the Hong Kong Special Administrative Region.

**Mr. TING Leung Huel, Stephen**, aged 51, was appointed as an Independent Non-executive Director of the Company in June 2002. He is also a Non-executive Director of Chow Sang Sang Holdings International Limited and an Independent Non-executive Director of each of the six listed companies namely, Tong Ren Tang Technologies Company Limited, eForce Holdings Limited, Tongda Group Holdings Limited, MACRO-LINK International Holdings Limited, Computer And Technologies Holdings Limited and Texhong Textile Group 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.

## DIRECTORS AND MANAGEMENT

### MANAGEMENT

**Mr. CHU Charn Fai, Daniel**, aged 35, 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 Institute of Certified Public Accountants. Prior to joining the Group, Mr. Chu worked in an international accounting firm. He has over 12 years of experience in financial management and auditing.

**Mr. DU Yonggang**, aged 36, 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 and has over 10 years of experience in financial management.

**Mr. DENG Weihua**, aged 34, joined the Group in January 2000 and was appointed as the Deputy General Manager of Orientmet 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 10 years of experience in financial management and nonferrous metals industry.

**Miss LEUNG Suet Kam, Lucia**, aged 43, 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 12 years of experience in company secretarial affairs and over 19 years of experience in administration.

## DIRECTORS' REPORT

The Board of Directors ("Directors") of Oriental Metals (Holdings) Company Limited (the "Company") has pleasure in presenting the annual report together with the audited accounts of the Company and its subsidiaries (the "Group") for the year ended 31 December 2004.

### PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The activities of its subsidiaries and associated companies are set out in Notes 16 and 17 to the accounts.

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 31 December 2004 is set out in Note 3 to the accounts.

### MAJOR CUSTOMERS

- (1) Sales to the largest customer accounted for approximately 13% of the total sales of the Group for the year.
- (2) Sales to the five largest customers in aggregate accounted for approximately 36% of the total sales of the Group for the year.

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 supplier accounted for approximately 27% of the total purchases of the Group for the year.
- (2) Purchases from the five largest suppliers in aggregate accounted for approximately 71% of the total purchases of the Group for the year.

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.

## DIRECTORS' REPORT

### RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2004 are set out in the accounts on page 38.

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\$1,065,565,000 at 31 December 2004 (2003 : HK\$1,282,457,000) be carried forward.

### RESERVES

Movements in reserves of the Company and the Group during the year are set out in Note 29 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 movements in the share capital of the Company are set out in Note 28 to the accounts. With the confirmation from the High Court on 6 January 2004, the issued share capital of the Company was reduced from HK\$131,972,695 (comprising 1,319,726,950 ordinary shares of HK\$0.1 each) to HK\$6,598,635 (comprising 131,972,695 ordinary shares of HK\$0.05 each). On 12 January 2004, the Company issued 475,376,917 ordinary shares of HK\$0.05 each to Coppermine Resources Limited ("Coppermine") for a consideration of HK\$418,331,000. The subscription consideration was settled by setting off the Company's debt of HK\$466,711,000 acquired by Coppermine.

## DIRECTORS' REPORT

### 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 12 January 2004)
Xu Huizhong	
Qian Wenchao	(Appointed on 12 January 2004)
Tang Xiaojin	(Appointed on 12 January 2004)
Gao Dezhu	(Resigned on 12 January 2004)
Lau Yat Ching	(Resigned on 12 January 2004)
Wang Xingdong	(Resigned on 12 January 2004)
Deng Weihua	(Resigned on 12 January 2004)

#### Independent Non-executive Directors

Liu Hongru	(Appointed on 22 September 2004)
Chan Wai Dune	
Ting Leung Huel, Stephen	

Pursuant to Article 101 of the Articles of Association of the Company, at each annual general meeting one-third of the Directors for the time being (excepting those Directors in respect of whom the provision of Article 85 applies), save and except the managing director(s), or, if their number is not three or a multiple of three, then the number nearest one-third, shall retire from office. However, in the spirit of good corporate governance practices, Mr. Xu Huizhong (Executive Director) who is the President (or managing director) of the Company will voluntarily retire from his office at the 2005 Annual General Meeting notwithstanding that he is not required by the Articles of Association of the Company to do so. Accordingly, Mr. Xu Huizhong and Mr. Ting Leung Huel, Stephen who is subject to retirement by rotation under Article 101, will retire at the 2005 Annual General Meeting and are eligible for re-election. Mr. Liu Hongru, who was appointed by the Directors after the 2004 annual general meeting of the Company, will hold office only until the conclusion of the 2005 Annual General Meeting in accordance with Article 85 and is also eligible for re-election.

The Company has received from each of the Independent Non-executive Directors an annual confirmation of his independence pursuant to Rule 3.13 to the Listing Rules and considers them to be independent.

### 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' REPORT

### DIRECTORS' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2004, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies ("Model Code") were as follows:

#### Long position in underlying shares of the Company

Name of Director	Nature of interest	Number of underlying shares held (Note 1)	Approximate percentage of total issued shares (Note 2)
Lin Xizhong	Personal	3,000,000	0.49%
Qian Wenchao	Personal	1,500,000	0.25%
Tang Xiaojin	Personal	1,500,000	0.25%
Xu Huizhong	Personal	2,000,000	0.33%

#### Notes:

- The Directors' interests in underlying shares are share options granted by the Company pursuant to the 1994 Share Option Scheme, details of which are set out under the section headed "Share Option Schemes".
- The calculation is based on the number of underlying shares as a percentage of the total number of issued shares of the Company (i.e. 607,349,612 shares) as at 31 December 2004.

Save as disclosed above, as at 31 December 2004, other than a nominee share in a subsidiary held by a director in trust for the Company, none of the Directors or the chief executive of the Company or any of their associates has any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code. In addition, save as disclosed above, none of the Directors or the chief executive of the Company nor their spouses or children under 18 years of age had been granted or had exercised any rights to subscribe for any equity or debt securities of the Company or any of its associated corporations (within the meaning of Part XV of the SFO).



## DIRECTORS' REPORT

### DIRECTORS' INTERESTS IN CONTRACTS

No contract of significance to which the Company, any of its holding companies, or any of their subsidiaries was a party, in which a director of the Company had a material interest, subsisted at the end of the year or at any time during the year.

### MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

### SHARE OPTION SCHEMES

#### 1994 Share Option Scheme

Pursuant to the share option scheme adopted by the Company on 25 November 1994 ("1994 Share Option Scheme"), a total number of 11,190,000 share options have been granted to certain directors and employees of the Company during the year ended 31 December 2004.

The 1994 Share Option Scheme had expired on 24 November 2004. Accordingly, no further options would be granted in accordance to the provisions thereunder but in all other respects the provisions of the 1994 Share Option Scheme shall remain in force to govern the exercise of all the options granted prior to such expiry which shall continue to be valid and outstanding.

The following is a summary of the principal terms of the 1994 Share Option Scheme:

1. Purpose

The 1994 Share Option Scheme was established to recognise and acknowledge the contributions that eligible participants had made or might make to the Group in order to attract and retain high calibre employees of the Group.

2. Participants

Any employees including directors of the Group.

3. Total number of shares available for issue under the 1994 Share Option Scheme

No further option may be granted under the 1994 Share Option Scheme as it had expired on 24 November 2004.

## DIRECTORS' REPORT

### SHARE OPTION SCHEMES *(cont'd)*

#### 1994 Share Option Scheme *(cont'd)*

4. Maximum entitlement of each participant

The maximum number of shares in respect of which options might be granted to any one employee should not exceed 25% of the maximum number of shares in respect of which options might be granted under the 1994 Share Option Scheme.

Effective from 1 September 2001, the total number of shares of the Company issued and to be issued upon exercise of options (including both exercised and outstanding) granted in any 12-month period to each participant must not exceed 1% of the shares of the Company in issue in accordance with the revised provisions as set out in Chapter 17 to the Listing Rules.

5. Period within which the shares must be taken up under an option

An option may be exercised in whole or in part at any time after the date on which the option is deemed to have been granted and from time to time or before the date which is three years after such date.

6. Minimum period for which an option must be held before it can be exercised

Not applicable.

7. Amount payable on acceptance of the option

A non-refundable remittance of HK\$10.00 by way of consideration for the grant of an option was required to be paid by each grantee upon acceptance of the option.

8. Basis of determining the exercise price

The exercise price was determined by the Directors of the Company and would not be less than (i) 80% of the average of the closing price of the shares on the Stock Exchange on the five business days immediately preceding the date of granting of options or (ii) the nominal value of the shares, whichever is the higher.

Effective from 1 September 2001, the exercise price must be at least the higher of (i) the closing price of the shares on the date of grant, which must be a business day, (ii) the average closing price of the shares for the five business days immediately preceding the date of grant, and (iii) the nominal value of a share of the Company in accordance with the revised provisions as set out in Chapter 17 to the Listing Rules.

## DIRECTORS' REPORT

### SHARE OPTION SCHEMES (cont'd)

#### 1994 Share Option Scheme (cont'd)

9. The remaining life of the 1994 Share Option Scheme

The life of the 1994 Share Option Scheme was until 24 November 2004.

During the year, the movements of share options which have been granted under the 1994 Share Option Scheme are as follows:

Category and name of participant	Date of grant	Exercise price per share HK\$	Exercise period	Number of share options					Balance as at 31 December 2004
				Balance as at 1 January 2004	Granted during the year	Exercised during the year	Cancelled during the year	Lapsed during the year	
<b>Directors</b>									
Lin Xizhong	15 March 2004 (Note 1)	3.115	16 March 2004 to 15 March 2007	-	3,000,000	-	-	-	3,000,000
Qian Wenchao	15 March 2004 (Note 1)	3.115	16 March 2004 to 15 March 2007	-	1,500,000	-	-	-	1,500,000
Tang Xiaojin	15 March 2004 (Note 1)	3.115	16 March 2004 to 15 March 2007	-	1,500,000	-	-	-	1,500,000
Xu Huizhong	15 March 2004 (Note 1)	3.115	16 March 2004 to 15 March 2007	-	2,000,000	-	-	-	2,000,000
<b>Employees</b>	15 March 2004 (Note 1)	3.115	16 March 2004 to 15 March 2007	-	3,190,000	-	-	80,000 (note 2)	3,110,000
				-	11,190,000	-	-	80,000	11,110,000

## DIRECTORS' REPORT

### SHARE OPTION SCHEMES *(cont'd)*

#### 1994 Share Option Scheme *(cont'd)*

*Notes:*

1. In respect of the share options granted on 15 March 2004, the closing price of the shares of the Company immediately before the date on which the options were granted was HK\$3.00 per share.
2. A total of 80,000 share options were lapsed due to cessation of employment.

The options granted are not recognised in the accounts until they are exercised. The Directors consider that it is not appropriate to value the share options on the ground that certain crucial factors for such valuation are variables which cannot be reasonably determined at this stage. Any valuation of the share options based on speculative assumptions in respect of such variables would not be meaningful and the results thereof may be misleading to the shareholders. Thus, it is more appropriate to disclose only the market price and exercise price.

#### 2004 Share Option Scheme

At the annual general meeting of the Company held on 28 May 2004, the Company adopted a new share option scheme ("2004 Share Option Scheme") which is in compliance with the new requirements as set out in Chapter 17 to the Listing Rules. No options had been granted under the 2004 Share Option Scheme since its adoption.

The following is a summary of the principal terms of the 2004 Share Option Scheme:

1. Purpose

To recognise and acknowledge the contributions that the eligible persons had made or may from time to time make to the Group whether in the past or in the future.

2. Participants

Any directors or any employees of any company of the Group and any advisers of, consultants of, contractors to any company of the Group or any person who has any relationship (whether business or otherwise) with any company of the Group or any person whom the Directors of the Company considers, in its sole discretion, appropriate.

3. Total number of shares available for issue under the 2004 Share Option Scheme

The total number of shares available for issue under the 2004 Share Option Scheme is 49,624,961 shares, representing approximately 8.17% of the issued share capital of the Company as at the date of this report.

## DIRECTORS' REPORT

### SHARE OPTION SCHEMES *(cont'd)*

#### 2004 Share Option Scheme *(cont'd)*

4. Maximum entitlement of each participant

No options may be granted to any eligible person which, if exercised in full, would result in the total number of shares issued and to be issued upon exercise of the options already granted and to be granted to such eligible person under the 2004 Share Option Scheme (including exercised, cancelled and outstanding options) in the 12-month period up to and including the date of such new grant exceeding 1% of the issued share capital of the Company as at the date of such new grant. Any grant of further options above this limit shall be subject to the requirements under the Listing Rules.

5. Period within which the shares must be taken up under an option

The Directors of the Company may in its absolute discretion determine the period during which an option may be exercised, save that such period shall not be more than ten years from the date on which such option is deemed to have been granted and accepted subject to the provisions for early termination thereof.

6. Minimum period for which an option must be held before it can be exercised

There is no general requirement on the minimum period for which an option must be held under the terms of the 2004 Share Option Scheme. However, the Directors of the Company may determine in its absolute discretion in relation to the minimum period of the options to be held.

7. Time of acceptance and the amount payable on acceptance of the option

An offer of an option may be accepted within 28 business days (or such shorter period as the Directors of the Company shall determine) from the date of such offer and the amount payable on acceptance of such offer is HK\$10.00.

## DIRECTORS' REPORT

### SHARE OPTION SCHEMES *(cont'd)*

#### 2004 Share Option Scheme *(cont'd)*

8. Basis of determining the exercise price

The exercise price shall be determined by the Directors of the Company at the time of grant of the relevant option and shall not be less than the highest of:

- (i) the closing price per share of the Company as stated in the Stock Exchange's daily quotations sheet on the date of grant of the relevant option;
- (ii) an amount equivalent to the average closing price per share of the Company as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant of the relevant option; and
- (iii) the nominal value of a share of the Company.

9. The remaining life of the 2004 Share Option Scheme

The 2004 Share Option Scheme will remain in force until 27 May 2014.

## DIRECTORS' REPORT

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

As at 31 December 2004, the following persons were recorded in the register required to be kept by the Company under section 336 of the SFO as having an interest or a short position in the shares and underlying shares of 5% or more of the issued shares of the Company:

#### Long position in shares of the Company

Name	Capacity	Number of shares held	Approximate percentage of total issued shares (Note 1)
China Minmetals Corporation ("China Minmetals") (Note 2)	Interest of controlled corporation (Notes 3, 5 & 6)	1,464,467,826	241.12% (Note 4)
China Minmetals Non-ferrous Metals Company Limited ("CMN")	Interest of controlled corporation (Notes 3 & 5)	1,009,090,909	166.15%
Top Create Resources Limited ("Top Create")	Beneficial owner (Notes 3 & 5)	1,009,090,909	166.15%
China Minmetals H.K. (Holdings) Limited ("Minmetals HK")	Interest of controlled corporation (Note 6)	455,376,917	74.98%
Coppermine Resources Limited ("Coppermine")	Beneficial owner (Note 6)	455,376,917	74.98%

#### Notes:

- The calculation is based on the number of shares held by each person (whether directly/indirectly interested or deemed to be interested) as a percentage of the total number of issued shares of HK\$0.05 each (i.e. 607,349,612 shares) of the Company as at 31 December 2004.
- On 18 January 2004, China National Metals & Minerals Import and Export Corporation changed its name to China Minmetals Corporation.

## DIRECTORS' REPORT

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

#### Long position in shares of the Company *(cont'd)*

Notes: *(cont'd)*

3. Pursuant to the joint announcement ("Announcement") of the Company and CMN dated 30 December 2004, a conditional acquisition agreement ("Acquisition Agreement") was entered into between the Company (as purchaser), Top Create (as seller) and CMN (as Top Create's guarantor and warrantor) on 30 December 2004 in relation to the Company's proposed acquisition of the entire issued share capital of Peak Strategic Industries Limited ("Peak Strategic"), a wholly-owned subsidiary of Top Create, and the benefits in the entire shareholder's loan as at completion of the Acquisition Agreement owing by Peak Strategic to Top Create and/or its associates ("Acquisition"). The consideration for the Acquisition of HK\$2,886 million will be satisfied in full by the allotment and issue of 1,009,090,909 new shares of the Company ("Consideration Shares") to Top Create at HK\$2.86 per Consideration Share, representing about 166.15% of the issued share capital (i.e. 607,349,612 shares at HK\$0.05 each) of the Company as at 31 December 2004 and about 62.43% of the enlarged issued share capital (i.e. 1,616,440,521 shares at HK\$0.05 each) of the Company immediately after completion of the Acquisition Agreement (assuming that there will be no change in the Company's issued share capital from the date of the Announcement to completion of the Acquisition Agreement save for the issue of the Consideration Shares). The Acquisition is still in progress and is subject to the approval of the relevant authorities and the independent shareholders of the Company.
4. The 1,464,467,826 shares of the Company held/were deemed to be held by China Minmetals represents about 241.12% of the issued share capital (i.e. 607,349,612 shares at HK\$0.05 each) of the Company as at 31 December 2004 and about 90.60% of the enlarged issued share capital (i.e. 1,616,440,521 shares at HK\$0.05 each) of the Company immediately after completion of the Acquisition Agreement (assuming that there will be no change in the Company's issued share capital from the date of the Announcement to completion of the Acquisition Agreement save for the issue of the Consideration Shares).
5. Top Create is a wholly-owned subsidiary of CMN which in turn is owned as to approximately 82.23% by China Minmetals. Accordingly, CMN and China Minmetals were by virtue of the SFO deemed to be interested in the 1,009,090,909 shares of HK\$0.05 each of the Company which are taken to be held by Top Create under section 322(5) of the SFO as at 31 December 2004.
6. Coppermine is a wholly-owned subsidiary of Minmetals HK which in turn is a wholly-owned subsidiary of China Minmetals. Accordingly, Minmetals HK and China Minmetals were by virtue of the SFO deemed to be interested in the 455,376,917 shares of HK\$0.05 each of the Company held by Coppermine as at 31 December 2004.

Save as disclosed above, as at 31 December 2004, no other person was recorded in the register required to be kept by the Company under section 336 of the SFO as having an interest or a short position in the shares and underlying shares of 5% or more of the issued shares of the Company.

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

During the year ended 31 December 2004, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.



## DIRECTORS' REPORT

### **BANK LOANS AND OTHER BORROWINGS**

Particulars of bank loans of the Company and the Group as at 31 December 2004 are set out in Note 27 to the accounts. Interest of approximately HK\$6,990,000 (2003 : HK\$7,139,000) was capitalised by the Group during the year.

### **RETIREMENT SCHEMES**

Details of the Group's retirement schemes are set out in Note 31 to the accounts.

### **CODE OF BEST PRACTICE**

The Company has complied with the Code of Best Practice as set out in Appendix 14 to the Listing Rules (which was in force prior to 1 January 2005) throughout the year ended 31 December 2004, 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 meetings of the Company in accordance with Articles 85 and 101 of the Company's Articles of Association.

### **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code as set out in Appendix 10 to the revised Listing Rules which came into effect on 31 March 2004 as its code of conduct regarding securities transactions by Directors ("Code of Conduct").

Having made specific enquiry of all directors, all of them confirmed that they have complied with the Code of Conduct during the year ended 31 December 2004.

### **AUDIT COMMITTEE**

The Company established an audit committee with written terms of reference in July 1999 pursuant to the requirements under the Listing Rules (which was in force prior to 1 January 2005). The audit committee of the Company currently comprises three independent non-executive directors, namely Mr. Chan Wai Dune (Chairman), Mr. Liu Hongru 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 audit committee held two meetings.

## DIRECTORS' REPORT

### CONNECTED PARTY TRANSACTIONS

During the year ended 31 December 2004, the Group had the following connected transactions, details of which are set out below:

#### (a) Amounts due from connected persons

As disclosed in the Company's announcement dated 16 September 2004, the Company was notified on 26 August 2004 that its ultimate controlling shareholder, China Minmetals Corporation, had become the controlling shareholder of Oriental Shipping & Transportation Company Limited ("OST"), Orienmet Properties Company Limited ("OPC") and Jordan Worldwide Limited ("JWL"). By virtue of these relationships, receivables due from OST, OPC and JWL to the Company were considered as financial assistance provided by the Company and constitutes a connected transaction under Rule 14A.63 of the Listing Rules.

The receivables due from OST, OPC and JWL amounted to approximately HK\$146,634,000 (of which approximately HK\$45,545,000 is the interest charged for the period from 1 January 2000 to 31 December 2004 and has not yet been recognised as income in the Company's accounts), HK\$2,083,000 and HK\$1,186,000 respectively as at 31 December 2004. These receivables have long been outstanding for more than six years and full provisions had been made against them in 2001 when the then controlling shareholder of OST, OPC and JWL was dissolved.

Having considered the history of the receivables, the financial position of OST, OPC and JWL and the recovery rate of the bank creditor in relation to the bank debts as owed by OPC, the Company accepted the repayment of HK\$24,958,937, which was received by the Company on 12 January 2005, as full settlement of the amounts that OST, OPC and JWL owed to the Company.

#### (b) Financial assistance to a non-wholly owned subsidiary

The connected transactions below are disclosed by way of inclusion in the annual report in accordance with Chapter 14, paragraph 14.25(2)(a) of the Listing Rules in force before 31 March 2004.

During the year ended 31 December 2004, certain guarantees of an aggregate maximum sum of RMB6 million (equivalent to approximately HK\$5,660,000) (the "Guarantees") was provided by North China Aluminium Company Limited ("NCA") (an indirect subsidiary owned as to 51% by the Company) to Zhuoshen Nonferrous Metals Plant & Equipment Company Limited ("Zhuoshen") (a subsidiary owned as to 75% by NCA) in favor of a bank for the following bank loans granted to Zhuoshen.

## DIRECTORS' REPORT

### CONNECTED PARTY TRANSACTIONS *(cont'd)*

#### (b) Financial assistance to a non-wholly owned subsidiary *(cont'd)*

<b>Loan amount</b>	<b>Loan period</b>	<b>Loan principal outstanding at 31 December 2004</b>
RMB2,000,000	27 May 2003 – 27 May 2004	–
RMB2,000,000	28 May 2004 – 28 May 2005	RMB2,000,000
RMB1,000,000	27 June 2003 – 27 June 2004	–
RMB1,000,000	28 June 2004 – 15 June 2005	RMB1,000,000
RMB3,000,000	1 September 2003 – 1 September 2004	–

The purpose of the transaction is to enable Zhuoshen to finance the working capital for its normal business operation relating to the manufacturing of nonferrous metals plant and equipment. There was no default of repayment of loan during the year ended 31 December 2004.

Under the revised Listing Rules which take effect on 31 March 2004, Zhuoshen is not a connected person of the Company. Therefore, the Guarantees given by NCA ceased to constitute connected transactions of the Company since 31 March 2004.

### DIRECTORS AND MANAGEMENT

Particulars of Directors and management are set out on pages 16 to 19 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 89 to 90 of this annual report.

### AUDITORS

Arthur Andersen & Co ("AA") were appointed as the Company's auditors since 2000. Following the combination of practices of PricewaterhouseCoopers ("PwC") and AA in July 2002, PwC were appointed as the Company's auditors with effect from 9 October 2002.

PwC, who will retire at the forthcoming annual general meeting, being eligible, offer themselves for re-appointment.

## DIRECTORS' REPORT

### SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of its Directors, as at the latest practicable date prior to the printing of this report, the Company has maintained sufficient public float of not less than 25% of the Company's issued shares as required under the Listing Rules.

By order of the Board

**Lin Xizhong**

*Chairman*

Hong Kong, 11 April 2005

## AUDITORS' REPORT



羅兵咸永道會計師事務所

**PricewaterhouseCoopers**  
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Central, Hong Kong  
Telephone (852) 2289 8888  
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### **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 38 to 88 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 solely 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 Institute of Certified Public 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 that our audit provides a reasonable basis for our opinion.

## AUDITORS' REPORT

### 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 31 December 2004 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, 11 April 2005

## CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the year ended 31 December 2004

	Note	2004 HK\$'000	2003 HK\$'000
<b>Turnover</b>			
– Continuing operations		<b>1,258,477</b>	1,283,370
– Discontinuing operations	4	<b>30,008</b>	79,702
	3	<b>1,288,485</b>	1,363,072
Cost of sales		<b>(1,095,538)</b>	(1,130,287)
Gross profit		<b>192,947</b>	232,785
Other revenues	3	<b>5,539</b>	4,973
		<b>198,486</b>	237,758
Selling expenses		<b>(41,779)</b>	(37,977)
Administrative expenses		<b>(66,429)</b>	(76,383)
Reversal of consolidated losses upon deconsolidation of subsidiaries	4 & 33(c)	<b>97,350</b>	–
Other operating income/(expenses)	5	<b>64,611</b>	(4,957)
Profit from operations	6		
– Continuing operations		<b>175,393</b>	112,358
– Discontinuing operations	4	<b>76,846</b>	6,083
		<b>252,239</b>	118,441
Finance costs	7	<b>(16,403)</b>	(38,195)
Share of profits less losses of associated companies		<b>10,272</b>	11,321
<b>Profit before taxation</b>			
– Continuing operations		<b>171,541</b>	89,729
– Discontinuing operations	4	<b>74,567</b>	1,838
		<b>246,108</b>	91,567
Taxation (charge)/credit	8	<b>(11,688)</b>	6,470
<b>Profit after taxation</b>		<b>234,420</b>	98,037
Minority interests		<b>(16,694)</b>	(8,835)
<b>Profit attributable to shareholders</b>			
– Continuing operations		<b>143,159</b>	87,364
– Discontinuing operations	4	<b>74,567</b>	1,838
		<b>217,726</b>	89,202
Dividends	10	–	–
Basic earnings per share	11	<b>HK\$0.37</b>	HK\$0.68
Basic earnings per share from continuing operations	11	<b>HK\$0.24</b>	HK\$0.66
<b>Profit for the year is retained as follows:</b>			
– By the Company and its subsidiaries		<b>208,591</b>	79,959
– By associated companies		<b>9,135</b>	9,243
		<b>217,726</b>	89,202

## CONSOLIDATED BALANCE SHEET

As at 31 December 2004

	Note	2004 HK\$'000	2003 HK\$'000
<b>Non-current assets</b>			
Fixed assets	14	<b>308,264</b>	286,337
Construction in progress	15	<b>203,008</b>	202,381
Interests in associated companies	17	<b>43,059</b>	48,121
Investment securities	18	-	2,217
Long-term receivables	19	<b>4,717</b>	5,392
Deferred tax assets	20	<b>7,843</b>	12,916
		<b>566,891</b>	557,364
<b>Current assets</b>			
Inventories	21	<b>224,518</b>	170,620
Trade receivables, prepayments and other receivables	22	<b>266,775</b>	230,962
Amounts due from fellow subsidiaries	23	<b>24,959</b>	-
Pledged bank deposits	27	<b>14,648</b>	9,892
Cash and bank balances		<b>176,236</b>	140,879
		<b>707,136</b>	552,353
<b>Current liabilities</b>			
Trade payables and accrued charges	24	<b>291,920</b>	280,006
Bills payable		<b>18,116</b>	11,321
Amount due to a shareholder		-	4,930
Amounts due to related companies		-	51,630
Amounts due to associated companies	17	-	7,250
Amounts due to minority investors		-	31,730
Taxation payable	25	<b>14,721</b>	8,389
Provision	26	<b>6,792</b>	7,501
Bank loans	27	<b>218,868</b>	638,514
		<b>550,417</b>	1,041,271
<b>Net current assets/(liabilities)</b>		<b>156,719</b>	(488,918)
<b>Total assets less current liabilities</b>		<b>723,610</b>	68,446



## CONSOLIDATED BALANCE SHEET

As at 31 December 2004

	Note	<b>2004</b> <b>HK\$'000</b>	2003 HK\$'000
<b>Financed by:</b>			
Share capital	28	<b>30,367</b>	131,973
Reserves	29	<b>391,638</b>	(393,778)
Shareholders' funds/(deficit)		<b>422,005</b>	(261,805)
<b>Minority interests</b>		<b>178,963</b>	165,157
<b>Non-current liabilities</b>			
Bank loans	27	<b>94,340</b>	136,792
Deferred income	30	<b>28,302</b>	28,302
		<b>122,642</b>	165,094
		<b>723,610</b>	68,446

**Xu Huizhong**

*President and Director*

**Tang Xiaojin**

*Vice President and Director*

## BALANCE SHEET

As at 31 December 2004

	Note	2004 HK\$'000	2003 HK\$'000
<b>Non-current assets</b>			
Fixed assets	14	<b>7,573</b>	8,096
Investments in subsidiaries	16	<b>228,131</b>	118,800
Investment securities	18	-	179
Long-term receivables	19	-	-
		<b>235,704</b>	127,075
<b>Current assets</b>			
Prepayments and other receivables		<b>15,786</b>	561
Amounts due from fellow subsidiaries	23	<b>24,959</b>	-
Cash and bank balances		<b>114,511</b>	97,900
		<b>155,256</b>	98,461
<b>Current liabilities</b>			
Accrued charges		<b>16,829</b>	48,747
Amount due to a shareholder		-	4,930
Amounts due to related companies		-	41,316
Taxation payable	25	-	319
Bank loans	27	-	379,013
		<b>16,829</b>	474,325
<b>Net current assets/(liabilities)</b>		<b>138,427</b>	(375,864)
<b>Total assets less current liabilities</b>		<b>374,131</b>	(248,789)
Financed by:			
Share capital	28	<b>30,367</b>	131,973
Reserves	29	<b>343,764</b>	(380,762)
		<b>374,131</b>	(248,789)

**Xu Huizhong**

President and Director

**Tang Xiaojin**

Vice President and Director

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2004

	Note	<b>2004</b> <b>HK\$'000</b>	2003 HK\$'000
<b>Total deficit as at 1 January</b>		<b>(261,805)</b>	(351,069)
Issue of new shares	28	<b>418,331</b>	–
Debt waived by immediate holding company	28	<b>48,380</b>	–
Net gain not recognised in the profit and loss account – reversal of provision for impairment loss on land and buildings credited to revaluation reserve		–	62
Profit attributable to shareholders		<b>217,726</b>	89,202
Surplus on revaluation of investment properties		<b>221</b>	–
Exchange translation reserve transferred to profit and loss account upon deconsolidation of subsidiaries		<b>(848)</b>	–
<b>Total equity/(deficit) as at 31 December</b>		<b>422,005</b>	(261,805)

## CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2004

	Note	2004 HK\$'000	2003 HK\$'000
Net cash inflow generated from operations	33(a)	<b>146,128</b>	230,657
Interest paid		<b>(22,776)</b>	(27,824)
Tax paid		<b>(354)</b>	(5,700)
<b>Net cash inflow from operating activities</b>		<b>122,998</b>	197,133
<b>Investing activities</b>			
Purchase of fixed assets		<b>(10,860)</b>	(3,373)
Proceeds from disposal of fixed assets		<b>2,619</b>	447
Additions to construction in progress		<b>(45,240)</b>	(112,117)
Proceeds from disposal of investment securities		<b>377</b>	-
Deconsolidation of subsidiaries, net cash disposed	33(c)	<b>(310)</b>	-
Proceeds from disposal of an associated company		<b>5,873</b>	-
Dividends received from associated companies		<b>2,696</b>	1,642
Interest received		<b>1,620</b>	690
Increase in pledged bank deposits		<b>(4,756)</b>	(6,836)
<b>Net cash used in investing activities</b>		<b>(47,981)</b>	(119,547)
Net cash inflow before financing		<b>75,017</b>	77,586
<b>Financing activities</b>	33(b)		
Proceeds from new bank loans		-	31,073
Repayment of bank loans		<b>(30,448)</b>	(63,733)
Decrease in amounts due to related companies		-	(166)
Increase in amount due to a shareholder		-	452
Dividends paid to minority shareholders		<b>(2,888)</b>	(1,686)
(Decrease)/Increase in amounts due to minority investors		<b>(6,324)</b>	1,543
<b>Net cash used in financing</b>		<b>(39,660)</b>	(32,517)
Increase in cash and cash equivalents		<b>35,357</b>	45,069
Cash and cash equivalents at 1 January		<b>140,879</b>	95,810
<b>Cash and cash equivalents at 31 December</b>		<b>176,236</b>	140,879
Analysis of balances of cash and cash equivalents			
Cash and bank balances		<b>176,236</b>	140,879

## NOTES TO THE ACCOUNTS

### 1. ORGANISATION AND OPERATIONS

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

The Company is an investment holding company. Its subsidiaries and associated companies are principally engaged in the trading of nonferrous metals and the manufacturing and distribution of aluminium and copper products.

### 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 Institute of Certified Public Accountants ("HKICPA"). They have been prepared under the historical cost convention except that, as disclosed in the accounting policies below, all investment properties and certain land and buildings are stated at revalued amounts.

The HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards ("new HKFRSs") which are effective for accounting periods beginning on or after 1 January 2005. The Group has not early adopted these new HKFRSs in the accounts for the year ended 31 December 2004. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a significant impact on its results of operations and financial position.

#### (b) Group accounting

##### (i) Consolidation

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

## NOTES TO THE ACCOUNTS

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

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

##### (i) Consolidation *(cont'd)*

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 subsidiaries 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.

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.

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.

## NOTES TO THE ACCOUNTS

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

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

##### (ii) Associated companies *(cont'd)*

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.

##### (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

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 is amortised using the straight-line method over its estimated useful life.

## NOTES TO THE ACCOUNTS

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

#### (d) Fixed assets

##### (i) *Investment properties*

Investment properties are interests in land and buildings in respect of which construction work and development have been completed and which are held for their investment potential, any rental income being negotiated at arm's length.

Investment properties are valued annually by independent valuers. The valuations are on an open market value basis related to individual properties and separate values are not attributed to land and buildings. The valuations are incorporated in the annual accounts. Increases in valuation are credited to the investment properties revaluation reserve. Decreases in valuation are first set off against increases on earlier valuations on a portfolio basis and thereafter are debited to operating profit. Any subsequent increases are credited to operating profit up to the amount previously debited.

Upon the disposal of an investment property, the relevant portion of the revaluation reserve realised in respect of previous valuations is released from the investment properties revaluation reserve to the profit and loss account.

##### (ii) *Land and buildings*

Land and buildings 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 Statement of Standard Accounting Practice 17, "Property, Plant and Equipment" issued by the HKICPA, with the effect that certain land and buildings are stated at their revalued amounts, which were determined prior to 30 September 1995 and have not been updated to reflect their fair values at the balance sheet date.



## NOTES TO THE ACCOUNTS

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

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

##### (iii) 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.

##### (iv) Construction in progress

Construction in progress is stated at cost less accumulated impairment losses. 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.

##### (v) 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% or over the unexpired period of the leases, whichever is shorter
Plant and machinery	6% - 14%
Office equipment	20%
Furniture and fixtures	20%
Motor vehicles	33%

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.

## NOTES TO THE ACCOUNTS

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

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

##### (vi) *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 other than investment properties 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) 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.

#### (f) 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.

## NOTES TO THE ACCOUNTS

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

#### (g) Trade and other receivables

Provision is made against trade and other receivables to the extent they are considered to be doubtful. Trade and other receivables in the balance sheet are stated net of such provision.

#### (h) 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 the date of investment.

#### (i) 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.

#### (i) 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.

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 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.

## NOTES TO THE ACCOUNTS

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

#### (k) 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.

Deferred taxation is provided on temporary differences arising on investments in subsidiaries and associated companies, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

#### (l) Contingent liabilities and contingent assets

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.

## NOTES TO THE ACCOUNTS

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

#### **(m) 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.

Dividend income is recognised when the right to receive payment is established.

Operating lease rental income is recognised on a straight-line basis over the lease periods.

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

#### **(n) 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.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

##### *(ii) Pension obligations*

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

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

## NOTES TO THE ACCOUNTS

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

#### (n) Employee benefits *(cont'd)*

##### (iii) Equity compensation benefits

Share options are granted to directors and to employees at the discretion of directors. No employee benefit cost is recognised when options are granted. When the options are exercised, the proceeds received net of any transaction costs are credited to share capital and share premium.

#### (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.

#### (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 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 and deferred tax assets. 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.

## NOTES TO THE ACCOUNTS

### 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>2004</b> <b>HK\$'000</b>	2003 HK\$'000
Turnover		
Sale of goods, net of value-added tax, returns and discounts	<b>1,288,485</b>	1,363,072
Other revenues		
Sales of by-products	<b>1,025</b>	1,148
Service income	<b>2,614</b>	3,135
Rental income from investment properties	<b>139</b>	–
Interest income	<b>1,761</b>	690
	<b>5,539</b>	4,973
Total revenues	<b>1,294,024</b>	1,368,045

#### (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 foils 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

## NOTES TO THE ACCOUNTS

### 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 operations				Total	
	Copper refinery and Aluminium refinery and Aluminium cans Copper wires								Aluminium cans production		Copper wires production			
	Trading		Aluminium refinery		Aluminium cans production		Corporate and others		Aluminium cans production		Copper wires production			
2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000	
<b>Revenues</b>														
Sales and manufacturing of nonferrous metals and related products	164,778	296,470	1,058,593	959,292	35,106	27,608	-	-	30,008	76,832	-	2,870	1,288,485	1,363,072
Other revenues	150	1	3,000	3,558	588	913	1,437	251	364	250	-	-	5,539	4,973
<b>Results</b>														
Segment results	87,158	100,355	47,138	27,171	9,690	8,308	31,407	(23,476)	70,637	10,572	6,209	(4,489)	252,239	118,441
Finance costs													(16,403)	(38,195)
Share of profits less losses of associated companies	-	-	772	1,114	9,500	10,207	-	-	-	-	-	-	10,272	11,321
Taxation (charge)/credit													(11,688)	6,470
Minority interests													(16,694)	(8,835)
Profit attributable to shareholders													217,726	89,202
<b>Other information</b>														
Segment assets	119,074	98,050	914,005	881,486	25,230	21,617	164,816	10,413	-	32,719	-	2,178	1,223,125	1,046,463
Interests in associated companies	-	-	645	6,941	42,414	41,180	-	-	-	-	-	-	43,059	48,121
Investment securities													-	2,217
Deferred tax assets													7,843	12,916
Total assets													1,274,027	1,109,717
Segment liabilities	60,216	21,403	548,481	554,564	29,556	30,951	20,085	480,406	-	102,340	-	8,312	658,338	1,197,976
Taxation payable													14,721	8,389
Total liabilities													673,059	1,206,365
Capital expenditures	-	-	54,662	122,176	1,083	-	355	418	-	35	-	-	56,100	122,629
Depreciation	2	5	31,746	40,431	5,135	151	404	327	4,461	4,415	-	905	41,748	46,234
Non-cash (income)/expenses other than depreciation	(14,257)	3,801	(10,644)	(595)	(624)	(423)	(39,984)	8,173	5,873	(3,343)	(1,042)	366	(60,678)	7,979
(Reversal of provision for)/provision for impairment losses, net	-	-	(281)	3,412	(4,373)	651	607	(1,916)	2,038	-	(4,526)	-	(6,535)	2,147



## NOTES TO THE ACCOUNTS

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

#### (b) Geographical segments

The Group's activities are conducted predominately in the People's Republic of China (the "PRC") except that a small portion of its turnover is derived from other countries.

There are no sales between the geographical segments.

	PRC		Hong Kong		Singapore		Others		Total	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
External revenues	1,051,363	1,141,784	3,686	744	164,778	-	68,658	220,544	1,288,485	1,363,072
Contribution to gross profit	114,906	157,979	402	94	70,147	-	7,492	74,712	192,947	232,785
Capital expenditures	55,745	122,211	355	418	-	-	-	-	56,100	122,629
Segment assets	1,006,135	954,137	137,851	92,326	79,139	-	-	-	1,223,125	1,046,463

### 4. DISCONTINUING OPERATIONS

On 15 April 2004, the Company 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 authorities to wind up its business prior to the expiration of its joint venture period in September 2004. ZIAC received the winding up order from the PRC court and began its liquidation process on 28 June 2004.

On 11 June 2004, the Company announced that the board of directors of Yixing Jinfeng Copper Materials Company Limited ("YJCM"), a 58% owned subsidiary of the Group engaging in the production and sale of copper wires, had passed a resolution to wind up its business prior to the expiration of its joint venture period pursuant to the termination clause stipulated in its articles of association. YJCM received winding up order from the PRC court on 30 July 2004. The liquidation process of YJCM was completed on 20 November 2004.

ZIAC and YJCM were deconsolidated from the Group and a reversal of accumulated consolidated losses of approximately HK\$97,350,000 was recorded during the year ended 31 December 2004, which represents the release of the Group's share of the subsidiaries' net liabilities and exchange reserve. The operating results of the subsidiaries (up to their liquidation dates) were reported as discontinuing operations in the accounts.

## NOTES TO THE ACCOUNTS

### 4. DISCONTINUING OPERATIONS (cont'd)

The sales, results, cash flows and net liabilities of YJCM and ZIAC are as follows:

	YJCM		ZIAC		Total	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Turnover	-	2,870	<b>30,008</b>	76,832	<b>30,008</b>	79,702
Cost of sales	-	(4,858)	<b>(33,119)</b>	(65,121)	<b>(33,119)</b>	(69,979)
Gross (loss)/profit	-	(1,988)	<b>(3,111)</b>	11,711	<b>(3,111)</b>	9,723
Other revenues	-	-	<b>364</b>	250	<b>364</b>	250
	-	(1,988)	<b>(2,747)</b>	11,961	<b>(2,747)</b>	9,973
Selling expenses	-	(185)	<b>(851)</b>	(1,341)	<b>(851)</b>	(1,526)
Administrative expenses	<b>(141)</b>	(1,950)	<b>(9,491)</b>	(3,391)	<b>(9,632)</b>	(5,341)
Other operating income/(expenses)	<b>645</b>	(366)	<b>(7,919)</b>	3,343	<b>(7,274)</b>	2,977
Profit/(loss) from operations	<b>504</b>	(4,489)	<b>(21,008)</b>	10,572	<b>(20,504)</b>	6,083
Finance costs	-	(60)	<b>(2,279)</b>	(4,185)	<b>(2,279)</b>	(4,245)
Profit/(loss) before taxation	<b>504</b>	(4,549)	<b>(23,287)</b>	6,387	<b>(22,783)</b>	1,838
Taxation	-	-	-	-	-	-
Profit/(loss) after taxation	<b>504</b>	(4,549)	<b>(23,287)</b>	6,387	<b>(22,783)</b>	1,838
Net operating cash inflow/(outflow)	<b>325</b>	(970)	<b>(1,483)</b>	(201)	<b>(1,158)</b>	(1,171)
Net investing cash inflow/(outflow)	<b>1,745</b>	-	-	(35)	<b>1,745</b>	(35)
Net financing cash (outflow)/inflow	<b>(2,100)</b>	922	<b>(1,839)</b>	(2,035)	<b>(3,939)</b>	(1,113)
Total net cash outflow	<b>(30)</b>	(48)	<b>(3,322)</b>	(2,271)	<b>(3,352)</b>	(2,319)
Non-current assets	-	2,142	-	6,500	-	8,642
Current assets	-	36	-	28,257	-	28,293
Total assets	-	2,178	-	34,757	-	36,935
Total liabilities	-	(8,312)	-	(102,340)	-	(110,652)
Net liabilities	-	(6,134)	-	(67,583)	-	(73,717)

## NOTES TO THE ACCOUNTS

## 5. OTHER OPERATING INCOME/(EXPENSES)

	<b>2004</b> <b>HK\$'000</b>	2003 HK\$'000
Reversal of provision for/(provision for) bad and doubtful debts		
– Amounts due from fellow subsidiaries	<b>24,959</b>	–
– Receivables and prepayments	<b>24,161</b>	5,208
– Amounts due from associated companies	<b>1,885</b>	(14,571)
Trade payables waived by creditors	<b>9,673</b>	–
(Provision for)/reversal of provision for impairment loss on fixed assets and construction in progress		
– Land and buildings	<b>(481)</b>	1,194
– Others	<b>8,975</b>	(3,412)
Gain on disposal of investment securities	<b>119</b>	–
Loss on disposal of fixed assets	<b>(4,884)</b>	(579)
(Provision for)/reversal of provision for impairment in value of investment securities	<b>(1,959)</b>	71
Compensation income	–	2,457
Reversal of provision for compensation in respect of outstanding claims and litigation	–	1,384
Waiver of directors' emoluments	–	650
Loss on disposal of construction in progress	–	(1,259)
Others	<b>2,163</b>	3,900
	<b>64,611</b>	(4,957)

## NOTES TO THE ACCOUNTS

### 6. PROFIT FROM OPERATIONS

Profit from operations is determined after charging/(crediting) the following:

	<b>2004</b> <b>HK\$'000</b>	2003 <i>HK\$'000</i>
Auditors' remuneration	<b>900</b>	1,000
Depreciation	<b>41,748</b>	46,234
Provision for/(reversal of provision for) inventory obsolescence	<b>2,500</b>	(658)
Staff costs (including directors' emoluments)	<b>70,520</b>	48,145
Operating lease rentals on land and buildings	<b>2,359</b>	1,140
Exchange loss, net	<b>121</b>	86

### 7. FINANCE COSTS

	<b>2004</b> <b>HK\$'000</b>	2003 <i>HK\$'000</i>
Bank loans wholly repayable within five years	<b>23,360</b>	43,304
Other loans wholly repayable within five years	<b>33</b>	2,030
	<b>23,393</b>	45,334
Less: Interest capitalised in construction in progress	<b>(6,990)</b>	(7,139)
	<b>16,403</b>	38,195

The capitalisation rate applied to funds borrowed and used for construction in progress is 5.58% (2003: 5.58%) per annum.

## NOTES TO THE ACCOUNTS

### 8. TAXATION

Hong Kong profits tax has been provided at the rate of 17.5% (2003: 17.5%) on the estimated assessable profit for the year.

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 31 December 2004.

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

	<b>2004</b> <b>HK\$'000</b>	2003 HK\$'000
Current taxation:		
– Hong Kong profits tax	–	319
– PRC Enterprise Income Tax	<b>5,486</b>	4,049
– Overprovision in prior years	<b>(8)</b>	–
Deferred taxation relating to the origination and reversal of temporary differences	<b>5,073</b>	(12,916)
	<b>10,551</b>	(8,548)
Share of taxation attributable to associated companies	<b>1,137</b>	2,078
Taxation charge/(credit)	<b>11,688</b>	(6,470)

## NOTES TO THE ACCOUNTS

### 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 Hong Kong as follows:

	<b>2004</b> <b>HK\$'000</b>	2003 HK\$'000
Profit before taxation	<b>246,108</b>	91,567
Calculated at a taxation rate of 17.5% (2003: 17.5%)	<b>43,069</b>	16,024
Effect of different taxation rates in other countries	<b>3,395</b>	2,082
Effect of tax exemption	<b>(2,507)</b>	(3,098)
Income not subject to taxation	<b>(38,423)</b>	(6,257)
Expenses not deductible for taxation purposes	<b>6,433</b>	6,076
Utilisation of unrecognised tax losses	<b>(7,472)</b>	(23,238)
Unrecognised tax losses	<b>7,184</b>	2,578
Overprovision in prior years	<b>(8)</b>	–
Others	<b>17</b>	(637)
Taxation charge/(credit)	<b>11,688</b>	(6,470)

### 9. PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The profit attributable to shareholders is dealt with in the accounts of the Company to the extent of HK\$156,002,000 (2003: HK\$75,255,000).

### 10. DIVIDENDS

No interim dividend was paid and the directors do not recommend the payment of a final dividend in respect of the year ended 31 December 2004 (2003: Nil).

## NOTES TO THE ACCOUNTS

### 11. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the Group's profit attributable to shareholders of approximately HK\$217,726,000 (2003: HK\$89,202,000) and the weighted average number of 593,062,328 ordinary shares (2003: 131,972,695 ordinary shares) in issue during the year, after adjusting for the share consolidation as disclosed in Note 28.

The calculation of basic earnings per share from continuing operations is based on the Group's profit attributable to shareholders from continuing operations of approximately HK\$143,159,000 (2003: HK\$87,364,000) and the same denominator used in the calculation of the basic earnings per share above.

No disclosure of diluted earnings per share or diluted earnings per share from continuing operations has been presented because:

- (a) the effect is anti-dilutive for the year ended 31 December 2004 (the exercise price of the Company's options was higher than the average market price for the shares); and
- (b) there were no potential dilutive shares in existence as at 31 December 2003.

### 12. STAFF COSTS

	<b>2004</b> <b>HK\$'000</b>	2003 HK\$'000
Staff costs, including directors' emoluments, consist of:		
Wages and salaries	<b>59,879</b>	40,439
Long service payment	-	19
Retirement scheme contributions ( <i>see Note 31</i> )	<b>10,641</b>	7,687
	<b>70,520</b>	48,145

## NOTES TO THE ACCOUNTS

### 13. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

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

	<b>2004</b> <b>HK\$'000</b>	2003 HK\$'000
Executive directors		
Fees	-	-
Salaries and other emoluments	<b>2,544</b>	4,112
Independent non-executive directors		
Fees	<b>615</b>	610
	<b>3,159</b>	4,722

During the year, no director waived emoluments (2003: one director waived emoluments of HK\$650,000) and no emoluments were paid or payable by the Group to any directors as an inducement to join or as compensation for loss of office.

Emoluments of the directors fell within the following bands:

	<b>Number of directors</b>	
	<b>2004</b>	2003
Nil - HK\$1,000,000	<b>10</b>	6
HK\$1,000,001 - HK\$1,500,000	<b>1</b>	2
HK\$1,500,001 - HK\$2,000,000	<b>-</b>	1
	<b>11</b>	9



## NOTES TO THE ACCOUNTS

### 13. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS *(cont'd)*

#### Five highest-paid individuals

The five individuals whose emoluments were the highest in the Group for the year include two (2003: three) executive directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining three (2003: two) individuals during the year are as follows:

	<b>2004</b> <b>HK\$'000</b>	2003 HK\$'000
Salaries and other emoluments	<b>1,592</b>	1,157
Retirement scheme contributions	<b>51</b>	45
	<b>1,643</b>	1,202

The emoluments fell within the following band:

	<b>Number of individuals</b>	
	<b>2004</b>	2003
Nil - HK\$1,000,000	<b>3</b>	2

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

## NOTES TO THE ACCOUNTS

### 14. FIXED ASSETS

#### (a) The Group

	Land and buildings	Investment properties	Leasehold improve- ments	Plant and machinery	Office equipment	Furniture and fixtures	Motor vehicles	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Cost or valuation</b>								
At 1 January 2004	245,778	-	1,053	733,491	7,231	18,538	18,121	1,024,212
Additions	611	-	43	6,912	225	516	2,553	10,860
Transfer from construction in progress	9,697	-	-	41,710	-	-	234	51,641
Reclassification	(24,744)	6,869	-	653	25	(308)	393	(17,112)
Revaluation (note 29)	-	221	-	-	-	-	-	221
Deconsolidation of subsidiaries	(69,081)	-	-	(261,621)	-	(1,844)	(1,741)	(334,287)
Disposals	(6,777)	-	-	(8,902)	(1,078)	(1,722)	(2,178)	(20,657)
<b>At 31 December 2004</b>	<b>155,484</b>	<b>7,090</b>	<b>1,096</b>	<b>512,243</b>	<b>6,403</b>	<b>15,180</b>	<b>17,382</b>	<b>714,878</b>
<b>Analysis of cost or valuation is as follows:</b>								
At cost	154,834	-	1,096	512,243	6,403	15,180	17,382	707,138
At valuation - 1994	650	-	-	-	-	-	-	650
At valuation - 2004	-	7,090	-	-	-	-	-	7,090
	<u>155,484</u>	<u>7,090</u>	<u>1,096</u>	<u>512,243</u>	<u>6,403</u>	<u>15,180</u>	<u>17,382</u>	<u>714,878</u>
<b>Accumulated depreciation and impairment losses</b>								
At 1 January 2004	134,037	-	846	568,969	4,459	14,066	15,498	737,875
Charge for the year	10,061	-	74	29,254	319	966	1,074	41,748
Reclassification	(17,221)	-	-	(17)	4	(298)	420	(17,112)
Deconsolidation of subsidiaries	(69,081)	-	-	(261,621)	-	(1,844)	(1,741)	(334,287)
Disposals	(2,950)	-	-	(5,446)	(1,066)	(1,641)	(2,051)	(13,154)
(Reversal of)/provision for impairment charge	481	-	-	(8,689)	65	(108)	(205)	(8,456)
<b>At 31 December 2004</b>	<b>55,327</b>	<b>-</b>	<b>920</b>	<b>322,450</b>	<b>3,781</b>	<b>11,141</b>	<b>12,995</b>	<b>406,614</b>
<b>Net book value</b>								
<b>At 31 December 2004</b>	<b>100,157</b>	<b>7,090</b>	<b>176</b>	<b>189,793</b>	<b>2,622</b>	<b>4,039</b>	<b>4,387</b>	<b>308,264</b>
At 31 December 2003	111,741	-	207	164,522	2,772	4,472	2,623	286,337

## NOTES TO THE ACCOUNTS

### 14. FIXED ASSETS (cont'd)

#### (b) The Company

	Land and buildings HK\$'000	Investment properties HK\$'000	Leasehold improve- ments HK\$'000	Furniture and fixtures HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
<b>Cost or valuation</b>						
At 1 January 2004	26,073	–	1,057	1,933	1,440	30,503
Additions	–	–	39	310	–	349
Reclassification	(20,781)	5,783	–	–	–	(14,998)
Revaluation (note 29)	–	207	–	–	–	207
Disposals	–	–	–	(1,364)	–	(1,364)
<b>At 31 December 2004</b>	<b>5,292</b>	<b>5,990</b>	<b>1,096</b>	<b>879</b>	<b>1,440</b>	<b>14,697</b>
<b>Analysis of cost or valuation is as follows:</b>						
At cost	4,642	–	1,096	879	1,440	8,057
At valuation – 1994	650	–	–	–	–	650
At valuation – 2004	–	5,990	–	–	–	5,990
	5,292	5,990	1,096	879	1,440	14,697
<b>Accumulated depreciation and impairment losses</b>						
At 1 January 2004	18,373	–	849	1,745	1,440	22,407
Charge for the year	137	–	71	176	–	384
Reclassification	(14,998)	–	–	–	–	(14,998)
Disposals	–	–	–	(1,355)	–	(1,355)
Provision for impairment charge	686	–	–	–	–	686
<b>At 31 December 2004</b>	<b>4,198</b>	<b>–</b>	<b>920</b>	<b>566</b>	<b>1,440</b>	<b>7,124</b>
<b>Net book value</b>						
<b>At 31 December 2004</b>	<b>1,094</b>	<b>5,990</b>	<b>176</b>	<b>313</b>	<b>–</b>	<b>7,573</b>
At 31 December 2003	7,700	–	208	188	–	8,096

## NOTES TO THE ACCOUNTS

### 14. FIXED ASSETS (cont'd)

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

	<b>The Group</b>			2003 Land and buildings HK\$'000
	<b>Land and buildings HK\$'000</b>	<b>Investment properties HK\$'000</b>	<b>2004 Total HK\$'000</b>	
Held in Hong Kong on long-term leases (over 50 years)	<b>298</b>	-	<b>298</b>	250
Held in the PRC on - short-term leases (less than 10 years)	-	-	-	7,498
- medium-term leases (10 - 50 years)	<b>99,859</b>	<b>7,090</b>	<b>106,949</b>	103,993
	<b>100,157</b>	<b>7,090</b>	<b>107,247</b>	111,741

	<b>The Company</b>			2003 Land and buildings HK\$'000
	<b>Land and buildings HK\$'000</b>	<b>Investment properties HK\$'000</b>	<b>2004 Total HK\$'000</b>	
Held in Hong Kong on long-term leases (over 50 years)	<b>298</b>	-	<b>298</b>	250
Held in the PRC on medium-term leases (10 - 50 years)	<b>796</b>	<b>5,990</b>	<b>6,786</b>	7,450
	<b>1,094</b>	<b>5,990</b>	<b>7,084</b>	7,700

## NOTES TO THE ACCOUNTS

### 14. FIXED ASSETS (cont'd)

- (d) All investment properties were revaluated at 31 December 2004 on an open market value basis by CB Richard Ellis Limited, an independent firm of registered professional surveyors.

Certain land and buildings were revalued at 30 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 HKICPA, with the effect that such land and buildings are stated at their revalued amounts, which were determined prior to 30 September 1995 and have not been updated to reflect their fair values at the balance sheet date, less accumulated depreciation and any impairment losses.

The carrying amounts of the land and buildings that would have been included in the accounts had they been carried at cost less accumulated depreciation and accumulated impairment losses are as follows:

	<b>2004</b> <b>HK\$'000</b>	2003 HK\$'000
The Group	<u>59</u>	<u>2,710</u>
The Company	<u>59</u>	<u>2,266</u>

- (e) Certain fixed assets of the Group with a total net book value of approximately HK\$207 million (2003: HK\$258 million) are mortgaged to certain banks to secure banking facilities of the Group (see Note 27).

## NOTES TO THE ACCOUNTS

### 15. CONSTRUCTION IN PROGRESS

	The Group	
	2004 HK\$'000	2003 HK\$'000
At 1 January	202,381	84,892
Additions	52,230	119,256
Transfer to fixed assets	(51,641)	(508)
Reversal of impairment charges	38	–
Disposals	–	(1,259)
At 31 December	<b>203,008</b>	202,381

- (a) During the year, interest expense of approximately HK\$6,990,000 (2003: HK\$7,139,000) was capitalised and included in additions to construction in progress.
- (b) Certain construction in progress of the Group with a total net book value of approximately HK\$203 million (2003: HK\$190 million) are mortgaged to certain banks to secure banking facilities of the Group (see Note 27).

### 16. INVESTMENTS IN SUBSIDIARIES

	The Company	
	2004 HK\$'000	2003 HK\$'000
Investments at cost		
Unlisted shares/investments	18,943	18,943
Less: Provision for impairment in value	(18,163)	(18,163)
	<b>780</b>	780
Amounts due from subsidiaries (Note (i))	1,278,632	1,302,831
Less: Provision for doubtful debts	(987,204)	(1,117,794)
	<b>291,428</b>	185,037
Amounts due to subsidiaries (Note (i))	(64,077)	(67,017)
	<b>228,131</b>	118,800
Note:		

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

## NOTES TO THE ACCOUNTS

### 16. INVESTMENTS IN SUBSIDIARIES (cont'd)

The following is a list of the principal subsidiaries as at 31 December 2004:

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
Oriental Copper Company Limited	Hong Kong	Nonferrous metals trading	28,800 shares of HK\$100 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%	–
Orienmet Aluminium Company Limited	Hong Kong	Inactive during the year	28,800 shares of HK\$100 each	100%	–
Orienmet Minerals Company Limited	Hong Kong	Inactive during the year	1,880,000 shares of HK\$1 each	100%	–
North China Aluminium Company Limited <sup>2</sup>	PRC	Production and sale of aluminium foils and extrusions	Rmb344,800,000	–	51%
Yingkou Orienmet Plica Tube Company Limited <sup>2</sup>	PRC	Production and sale of copper plica tubes	US\$4,000,000	–	51%

Notes:

- 1 The class of shares held is ordinary.
- 2 These are sino-foreign equity joint ventures registered under the laws of the PRC and their statutory accounts are not audited by PricewaterhouseCoopers.

## NOTES TO THE ACCOUNTS

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

	The Group	
	2004 HK\$'000	2003 HK\$'000
Share of net assets	42,838	42,272
Amounts due from associated companies <i>(Note (i))</i>	46,048	101,668
Less: Provision for doubtful debts	(45,827)	(95,819)
	221	5,849
	43,059	48,121
Amounts due to associated companies <i>(Note (i))</i>	-	7,250

Note:

- (i) The amounts due from/to associated companies are unsecured, interest-free and have no fixed terms of repayment.

The Group's share of the accumulated post-acquisition losses of associated companies as at 31 December 2004 was approximately HK\$237 million (2003: HK\$244 million).

Supplementary financial information of a major 25% owned associated company is as follows:

	The Group	
	2004 HK\$'000	2003 HK\$'000
Balance sheet		
Non-current assets	131,698	142,570
Current assets	423,530	391,644
Non-current liabilities	5,243	3,594
Current liabilities	380,311	389,281
Profit and loss account		
Turnover	2,845,045	1,801,879
Profit before taxation	37,999	40,826
Profit after taxation	34,577	33,993

This associated company had no material contingent liabilities as at 31 December 2004 and 2003.



## NOTES TO THE ACCOUNTS

### 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 31 December 2004:

Name of company	Place of incorporation/ operation	Principal activities	Particulars of paid up capital	Proportion of equity 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 foils	Rmb29,450,000	25%
Yantai Penghui Copper Industry Company Limited <sup>1</sup>	PRC	Production and sale of copper cathodes	Rmb132,000,000	42%
Yin Fa Transportation Company Limited <sup>1</sup>	PRC	Provision of transportation services	Rmb800,000	43%

*Notes:*

- 1 Statutory accounts of these companies are not audited by PricewaterhouseCoopers.
- 2 All of the above associated companies are sino-foreign equity joint ventures registered under the laws of the PRC.

## NOTES TO THE ACCOUNTS

### 18. INVESTMENT SECURITIES

	The Group		The Company	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Unlisted investments, at cost	-	2,538	-	-
Less: Provision for impairment in value	-	(500)	-	-
	-	2,038	-	-
Listed investments, at cost	24	64,443	24	64,443
Less: Provision for impairment in value	(24)	(64,264)	(24)	(64,264)
	-	179	-	179
	-	2,217	-	179
Listed in Hong Kong at carrying value	-	179	-	179
Quoted market value of listed securities	-	179	-	179

### 19. LONG-TERM RECEIVABLES

	The Group		The Company	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Long-term receivables	4,717	5,592	-	200
Less: Provision for doubtful debts	-	(200)	-	(200)
	4,717	5,392	-	-

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

## NOTES TO THE ACCOUNTS

### 20. DEFERRED TAXATION

Deferred taxation is calculated in full on temporary differences under the liability method using a principal taxation rate of 17.5% (2003: 17.5%).

The movements on the deferred tax assets account are as follows:

	The Group							
	Impairment of assets		Tax losses		Others		Total	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
At 1 January	<b>2,037</b>	-	<b>7,009</b>	-	<b>3,870</b>	-	<b>12,916</b>	-
Credited/(charged) to profit and loss account	<b>2,315</b>	2,037	<b>(7,009)</b>	7,009	<b>(379)</b>	3,870	<b>(5,073)</b>	12,916
At 31 December	<b>4,352</b>	2,037	-	7,009	<b>3,491</b>	3,870	<b>7,843</b>	12,916

Deferred tax assets are recognised for tax losses carry forwards to the extent that the realisation of the related tax benefits through the future taxable profits is probable. The Group has unrecognised tax losses of approximately HK\$300 million (2003: HK\$362 million) to carry forward against future taxable income. Deferred tax assets for these tax losses are not recognised as it is not probable for the related tax assets to be realised. The tax losses will not expire under current tax legislation.

### 21. INVENTORIES

	The Group	
	2004 HK\$'000	2003 HK\$'000
Raw materials	<b>44,155</b>	95,418
Work in progress	<b>100,738</b>	21,331
Finished goods	<b>79,625</b>	53,871
	<b>224,518</b>	170,620

As at 31 December 2004, the carrying amount of finished goods that are carried at their net realisable values amounted to HK\$5 million (2003: HK\$5 million).

## NOTES TO THE ACCOUNTS

### 22. 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 receivables balance, net of provision for doubtful debts, of approximately HK\$217,655,000 (2003: HK\$179,595,000). An aging analysis of such trade receivables is shown as follows:

	The Group			
	2004		2003	
	HK\$'000	%	HK\$'000	%
Less than 6 months	199,290	92	177,074	98
6 months – 1 year	7,729	4	2,145	1
Over 1 year	10,636	4	376	1
	<b>217,655</b>	<b>100</b>	179,595	100

### 23. AMOUNTS DUE FROM FELLOW SUBSIDIARIES

The amounts due from fellow subsidiaries are unsecured, interest-free and repayable on demand.

### 24. TRADE PAYABLES AND ACCRUED CHARGES

Included in the Group's trade payables and accrued charges are trade payables balance of approximately HK\$125,399,000 (2003: HK\$111,178,000). An aging analysis of such trade payables is shown as follows:

	The Group			
	2004		2003	
	HK\$'000	%	HK\$'000	%
Less than 6 months	112,583	90	98,953	89
6 months – 1 year	4,631	4	2,226	2
1 – 2 years	5,247	4	5	–
Over 2 years	2,938	2	9,994	9
	<b>125,399</b>	<b>100</b>	111,178	100

## NOTES TO THE ACCOUNTS

### 25. TAXATION PAYABLE

Taxation payable represents:

	The Group		The Company	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Provision for Hong Kong profits tax	512	831	-	319
Provision for PRC Enterprise Income Tax	14,209	7,558	-	-
	<b>14,721</b>	<b>8,389</b>	<b>-</b>	<b>319</b>

### 26. PROVISION

Movements of provision for compensation in respect of outstanding claims and litigation are as follows:

	The Group	
	2004 HK\$'000	2003 HK\$'000
At 1 January	7,501	9,315
Less: Amount utilised	-	(430)
Reversal of unutilised amounts	-	(1,384)
Deconsolidation of a subsidiary under liquidation	(709)	-
At 31 December	<b>6,792</b>	<b>7,501</b>

## NOTES TO THE ACCOUNTS

### 27. BANK LOANS

	The Group		The Company	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Payable within one year or on demand				
Secured bank loans	<b>206,605</b>	218,558	-	-
Unsecured bank loans	<b>12,263</b>	419,956	-	379,013
Included under current liabilities	<b>218,868</b>	638,514	-	379,013
Repayable in the second year				
Secured bank loans	<b>47,170</b>	14,151	-	-
Repayable in the third to fifth year				
Secured bank loans	<b>47,170</b>	122,641	-	-
Included under non-current liabilities	<b>94,340</b>	136,792	-	-
	<b>313,208</b>	775,306	-	379,013

As at 31 December 2004, certain fixed assets and construction in progress of the Group with a total net book value of approximately HK\$410 million (2003: HK\$448 million) and bank deposits of approximately HK\$14,648,000 (2003: HK\$9,892,000) were pledged to banks to secure certain banking facilities of the Group.

Upon completion of the Group's restructuring on 12 January 2004, certain bank loans and accrued interest of the Group of approximately HK\$420,427,000 were purchased by Coppermine Resources Limited ("Coppermine") (the debts purchaser in the restructuring and the Company's existing immediate holding company) and were subsequently settled by the Group by the issuance of new shares of the Company to Coppermine (see Note 28).

## NOTES TO THE ACCOUNTS

### 28. SHARE CAPITAL

	Number of shares			
	2004 '000	2003 '000	2004 HK\$'000	2003 HK\$'000
Authorised:				
Ordinary shares of HK\$0.05 each (2003: HK\$0.1 each)	<b>6,000,000</b>	3,000,000	<b>300,000</b>	300,000
Issued and fully paid:				
Ordinary shares of HK\$0.05 each (2003: HK\$0.1 each)	<b>607,350</b>	1,319,727	<b>30,367</b>	131,973

On 3 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 High Court and became effective on 6 January 2004.

Pursuant to the resolution passed by the Company on 3 December 2003 and the subscription agreement signed between the Company and Coppermine, the Company issued 475,376,917 shares of HK\$0.05 each to Coppermine on 12 January 2004 for a consideration of HK\$418,331,000 (of which HK\$23,768,000 was credited to share capital and HK\$394,563,000 was credited to share premium account). The subscription consideration was settled by setting off the Company's debt of HK\$466,711,000 acquired by Coppermine. The remaining portion of HK\$48,380,000 was waived by Coppermine and credited to capital reserve account of the Company.

## NOTES TO THE ACCOUNTS

### 29. RESERVES

#### (a) The Group

	Share premium HK\$'000	Capital reserve HK\$'000	Special capital reserve (Note (e)) HK\$'000	Revaluation reserve HK\$'000	General reserve HK\$'000	PRC statutory reserves (Notes (c) & (d)) HK\$'000	Exchange translation reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 January 2003	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 on land and buildings	-	-	-	62	-	-	-	-	62
Profit for the year	-	-	-	-	-	-	-	89,202	89,202
At 31 December 2003	800,030	-	-	558	15,600	69,614	2,877	(1,282,457)	(393,778)
Issue of new shares	394,563	-	-	-	-	-	-	-	394,563
Debt waived by immediate holding company	-	48,380	-	-	-	-	-	-	48,380
Transfer to special capital reserve as a result of capital reduction	-	-	125,374	-	-	-	-	-	125,374
Transfer to PRC statutory reserves	-	-	-	-	-	834	-	(834)	-
Surplus on revaluation of investment properties	-	-	-	221	-	-	-	-	221
Profit for the year	-	-	-	-	-	-	-	217,726	217,726
Deconsolidation of subsidiaries	-	-	-	-	-	-	(848)	-	(848)
<b>At 31 December 2004</b>	<b>1,194,593</b>	<b>48,380</b>	<b>125,374</b>	<b>779</b>	<b>15,600</b>	<b>70,448</b>	<b>2,029</b>	<b>(1,065,565)</b>	<b>391,638</b>



## NOTES TO THE ACCOUNTS

### 29. RESERVES (cont'd)

#### (b) The Company

	Share premium HK\$'000	Capital reserve HK\$'000	Special capital reserve (Note (e)) HK\$'000	Revaluation reserve HK\$'000	General reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 January 2003	800,030	-	-	-	15,600	(1,271,647)	(456,017)
Profit for the year	-	-	-	-	-	75,255	75,255
At 31 December 2003	800,030	-	-	-	15,600	(1,196,392)	(380,762)
Issue of new shares	394,563	-	-	-	-	-	394,563
Debt waived by immediate holding company	-	48,380	-	-	-	-	48,380
Transfer to special capital reserve as a result of capital reduction	-	-	125,374	-	-	-	125,374
Surplus on revaluation of investment properties	-	-	-	207	-	-	207
Profit for the year	-	-	-	-	-	156,002	156,002
<b>At 31 December 2004</b>	<b>1,194,593</b>	<b>48,380</b>	<b>125,374</b>	<b>207</b>	<b>15,600</b>	<b>(1,040,390)</b>	<b>343,764</b>

- (c) According to the respective articles of association of the 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 investors.

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.

## NOTES TO THE ACCOUNTS

### 29. RESERVES (cont'd)

- (d) According to the respective articles of association of the PRC subsidiaries of the Group, they are also required to transfer 5% of their net profits as stated in the accounts prepared under PRC accounting regulations to the statutory general reserve. Upon approval from the Board of Directors, the statutory general reserve may be used to offset accumulated losses or to increase capital.
- (e) As a result of the Capital Reduction, a credit of HK\$125,374,060 was transferred from share capital account to a special capital reserve account (see Note 28). The Company has undertaken that the special capital reserve will be used for the purpose of reducing in future the accumulated losses of the Company.

### 30. DEFERRED INCOME

Deferred income of the Group represents government grants obtained from the PRC local government of approximately HK\$28,302,000 (2003: HK\$28,302,000) for the purchase of certain plant and machinery of the Group.

### 31. 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 Group 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 31 December 2004 amounted to approximately HK\$10,641,000 (2003: HK\$7,687,000).

No contributions were forfeited for the year ended 31 December 2004 (2003: HK\$142,000).

## NOTES TO THE ACCOUNTS

### 32. SHARE OPTION SCHEME

#### (a) 1994 share option scheme

Pursuant to the share option scheme adopted by the Company on 25 November 1994 ("1994 Share Option Scheme"), a total number of 11,190,000 (2003: Nil) share options were granted to certain directors and employees of the Company during the year ended 31 December 2004.

During the year ended 31 December 2004, the movements of share options which have been granted under the 1994 Share Option Scheme are as follows:

Date of Grant	Exercise price per share HK\$	Exercise period	Number of share options			Balance as at 31 December 2004
			Balance as at 1 January 2004	Granted during the year	Lapsed during the year (Note 2)	
15 March 2004 (Note 1)	3.115	16 March 2004 to 15 March 2007	-	11,190,000	80,000	11,110,000

Notes:

- In respect of the share options granted on 15 March 2004, the closing price of the shares of the Company immediately before the date on which the options were granted was HK\$3.00 per share.
- A total of 80,000 share options were lapsed due to cessation of employment.

#### (b) 2004 share option scheme

At the annual general meeting of the Company held on 28 May 2004, the Company adopted a new share option scheme ("2004 Share Option Scheme") which is in compliance with the new requirements as set out in Chapter 17 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. No share options have been granted under the 2004 Share Option Scheme since its adoption.

## NOTES TO THE ACCOUNTS

### 33. NOTES TO CONSOLIDATED CASH FLOW STATEMENT

#### (a) Reconciliation of profit before taxation to net cash inflow generated from operating activities

	<b>2004</b> <b>HK\$'000</b>	2003 HK\$'000
Profit before taxation	<b>246,108</b>	91,567
Share of profits less losses of associated companies	<b>(10,272)</b>	(11,321)
Interest income	<b>(1,761)</b>	(690)
Interest expense	<b>16,403</b>	38,195
Depreciation	<b>41,748</b>	46,234
Loss on disposal of fixed assets	<b>4,884</b>	579
(Reversal of provision for)/provision for impairment loss on fixed assets and construction in progress	<b>(8,494)</b>	2,218
Loss on disposal of construction in progress	-	1,259
Gain on disposal of investment securities	<b>(119)</b>	-
Provision for/(reversal of provision for) impairment in value of investment securities	<b>1,959</b>	(71)
Trade payables waived by creditors	<b>(9,673)</b>	-
Reversal of provision for outstanding claims and litigation	-	(1,384)
Reversal of consolidated losses upon deconsolidation of subsidiaries	<b>(97,350)</b>	-
Operating profit before working capital changes	<b>183,433</b>	166,586
(Increase)/decrease in amounts due from associated companies	<b>(1,514)</b>	19,330
(Increase)/decrease in inventories	<b>(54,432)</b>	37,535
Increase in trade receivables, prepayments and other receivables	<b>(35,077)</b>	(29,037)
Increase in amounts due from fellow subsidiaries	<b>(24,959)</b>	-
Increase in trade payables and accrued charges	<b>71,882</b>	54,597
Increase/(decrease) in bills payable	<b>6,795</b>	(17,924)
Utilisation of provision	-	(430)
Net cash inflow generated from operations	<b>146,128</b>	230,657

## NOTES TO THE ACCOUNTS

### 33. NOTES TO CONSOLIDATED CASH FLOW STATEMENT (cont'd)

#### (b) Analysis of changes in financing

	Bank loans		Amount due to a shareholder	Amounts due to related companies	Amounts due to minority investors	Minority interests
	Short-term	Long-term				
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2004	638,514	136,792	4,930	51,630	31,730	165,157
Repayment of bank loans	(30,448)	-	-	-	-	-
Reclassification of bank loans	42,452	(42,452)	-	-	-	-
Reduction of debts from debt restructuring	(379,011)	-	(4,930)	(41,354)	-	-
Minority interests' share of profits	-	-	-	-	-	16,694
Interest accrual on amounts due to related companies	-	-	-	31	-	-
Dividends paid	-	-	-	-	-	(2,888)
Decrease in amounts due to minority investors	-	-	-	-	(6,324)	-
Deconsolidation of subsidiaries	(52,639)	-	-	(10,307)	(25,406)	-
<b>At 31 December 2004</b>	<b>218,868</b>	<b>94,340</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>178,963</b>

## NOTES TO THE ACCOUNTS

### 33. NOTES TO CONSOLIDATED CASH FLOW STATEMENT (cont'd)

#### (c) Deconsolidation of subsidiaries

	<b>2004 HK\$'000</b>
Net liabilities disposed	
Inventories	<b>534</b>
Trade receivables, prepayments and other receivables	<b>81</b>
Cash and bank balances	<b>310</b>
Trade payables and accrued charges	<b>(8,967)</b>
Amounts due to related companies	<b>(10,307)</b>
Amount due to an associated company	<b>(108)</b>
Amounts due to minority investors	<b>(25,406)</b>
Bank loans	<b>(52,639)</b>
	<b>(96,502)</b>
Realisation of exchange reserve	<b>(848)</b>
	<b>(97,350)</b>
Reversal of consolidated losses upon deconsolidation of subsidiaries	<b>(97,350)</b>
Analysis of net cashflow in respect of the deconsolidation of subsidiaries	
Cash and bank balances disposed	<b>310</b>

#### (d) Major non-cash transaction

Pursuant to a debt restructuring scheme completed during the year ended 31 December 2004, certain bank loans, an amount due to a shareholder, certain amounts due to related companies and bank interest payable of approximately HK\$379,011,000, HK\$4,930,000, HK\$41,354,000 and HK\$41,416,000, respectively, were acquired by Coppermine. The total liabilities of HK\$466,711,000 acquired by Coppermine were then capitalised by the issue of 475,376,917 shares in the Company of HK\$0.05 each at a consideration of HK\$418,331,000. The remaining portion of HK\$48,380,000 was waived by Coppermine and credited to capital reserve account of the Company (see Notes 28 and 29).

## NOTES TO THE ACCOUNTS

### 34. CONTINGENT LIABILITIES

As at 31 December 2004 the Group had contingent liabilities in respect of the following:

- (a) 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 (2003: HK\$23,585,000).
- (b) 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 of the Company are of the opinion that the potential additional charges will not exceed HK\$1,300,000 (2003: HK\$4,000,000).
- (c) The Group had contingent liabilities in respect of trade bills discounted with recourse of approximately HK\$66,748,000 (2003: Nil).

### 35. COMMITMENTS

#### (a) Operating leases

As at 31 December 2004, the Group's commitments in respect of rented premises under non-cancellable operating leases amounted to approximately HK\$2,245,000 (2003: HK\$1,757,000). Details of the total future minimum lease payments under non-cancellable operating leases are as follows:

	<b>The Group</b>	
	<b>2004</b> <b>HK\$'000</b>	2003 <i>HK\$'000</i>
Total future minimum lease payments payable:		
Within one year	<b>1,396</b>	499
After one year but within five years	<b>849</b>	1,258
	<b>2,245</b>	1,757

## NOTES TO THE ACCOUNTS

### 35. COMMITMENTS (cont'd)

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

	<b>The Group</b>	
	<b>2004</b> <b>HK\$'000</b>	2003 <i>HK\$'000</i>
Authorised and contracted for	<b>15,724</b>	8,767
Authorised but not contracted for	<b>49,100</b>	80,258
	<b>64,824</b>	89,025

The Company had no material commitments as at 31 December 2004 and 2003.

### 36. FUTURE OPERATING LEASE ARRANGEMENTS

As at 31 December 2004, the Group had future aggregate minimum lease receipts under non-cancellable operating leases as follows:

	<b>The Group</b>	
	<b>2004</b> <b>HK\$'000</b>	2003 <i>HK\$'000</i>
Within one year	<b>495</b>	–
After one year but within five years	<b>639</b>	–
	<b>1,134</b>	–

### 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.



## NOTES TO THE ACCOUNTS

### 37. RELATED PARTY TRANSACTIONS (cont'd)

Material transactions with related parties during the year are as follows:

	<b>The Group</b>	
	<b>2004</b> <b>HK\$'000</b>	2003 HK\$'000
Sales of non-ferrous metals to an associated company	<b>3,583</b>	4,113
Purchases of nonferrous metals from associated companies	<b>40,635</b>	74,208
Purchases of fixed assets from an associated company	<b>8,329</b>	–
Transportation fees paid to an associated company	<b>10,154</b>	9,312
Interest expenses paid to a related company	<b>31</b>	1,740
Rental income received from an associated company	<b>217</b>	603
Rental expenses paid to a fellow subsidiary	<b>695</b>	–
Reimbursement of restructuring cost from immediate holding company	<b>765</b>	–

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 between the Group and the respective related parties.

### 38. SUBSEQUENT EVENTS

On 30 December 2004, the Company entered into an acquisition agreement with China Minmetals Non-ferrous Metals Company Limited ("CMN") and Top Create Resources Limited, the Company's related companies, for the acquisition of certain subsidiaries of CMN which are mainly engaged in sourcing alumina and other aluminium products in the international markets and in the supply of such alumina to aluminium smelters in the PRC. The consideration for the acquisition of HK\$2,886 million will be satisfied in full by the allotment and issue of 1,009,090,909 new shares of the Company (the "New Shares") to CMN at HK\$2.86 per share, representing about 166.15% of the existing number of issued share capital of the Company as at 31 December 2004.

The above acquisition is subject to the fulfillment of a number of conditions, which include the approval of the Company's shareholders and The Stock Exchange of Hong Kong Limited granting the listing of the New Shares of the Company.

### 39. ULTIMATE HOLDING COMPANY

The directors regard China Minmetals Corporation, a company incorporated in the PRC, as being the ultimate holding company.

### 40. APPROVAL OF ACCOUNTS

The accounts were approved and authorised for issue by the Board of Directors on 11 April 2005.

## 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 below:

	2004		2003		2002		2001		2000	
	Continuing operations	Discontinuing operations	Continuing operations	Discontinuing operations	Continuing operations	Discontinuing operations	Continuing operations	Discontinuing operations	Continuing operations	Discontinuing operations
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Results</b>										
Turnover	<b>1,258,477</b>	<b>30,008</b>	1,283,370	79,702	784,273	91,403	1,053,229	181,048	1,260,913	181,610
Profit/(loss) from operations	<b>175,393</b>	<b>76,846</b>	112,358	6,083	43,851	29,886	(699,720)	(77,658)	7,311	(101,893)
Finance costs	<b>(14,124)</b>	<b>(2,279)</b>	(33,950)	(4,245)	(46,258)	(5,826)	(51,094)	(7,231)	(57,617)	(13,284)
Share of profits less losses of associated companies	<b>10,272</b>	-	11,321	-	5,851	-	(41,965)	-	(58,446)	-
Profit/(loss) before taxation	<b>171,541</b>	<b>74,567</b>	89,729	1,838	3,444	24,060	(792,779)	(84,889)	(108,752)	(115,177)
Taxation (charge)/credit	<b>(11,688)</b>	-	6,470	-	(2,487)	-	(3,233)	-	(2,185)	-
Profit/(loss) after taxation	<b>159,853</b>	<b>74,567</b>	96,199	1,838	957	24,060	(796,012)	(84,889)	(110,937)	(115,177)
Minority interests	<b>(16,694)</b>	-	(8,835)	-	(5,341)	-	17,893	-	60,983	-
Profit/(loss) attributable to shareholders	<b>143,159</b>	<b>74,567</b>	87,364	1,838	(4,384)	24,060	(778,119)	(84,889)	(49,954)	(115,177)
Dividends	-	-	-	-	-	-	-	-	-	-
Profit/(loss) for the year	<b>143,159</b>	<b>74,567</b>	87,364	1,838	(4,384)	24,060	(778,119)	(84,889)	(49,954)	(115,177)

## FIVE-YEAR FINANCIAL SUMMARY

	2004		2003		2002		2001		2000	
	Continuing operations	Discontinuing operations	Continuing operations	Discontinuing operations	Continuing operations	Discontinuing operations	Continuing operations	Discontinuing operations	Continuing operations	Discontinuing operations
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Assets and liabilities</b>										
Fixed assets	<b>308,264</b>	-	279,733	6,604	319,983	11,888	345,761	21,470	397,215	85,210
Construction in progress	<b>203,008</b>	-	202,381	-	84,892	-	44,891	-	22,562	-
Interests in associated companies	<b>43,059</b>	-	48,121	-	64,981	-	90,380	-	234,421	-
Long-term receivables	<b>4,717</b>	-	5,392	-	6,226	-	6,226	-	6,418	-
Deferred tax assets	<b>7,843</b>	-	12,916	-	-	-	-	-	-	-
Other non-current assets	-	-	179	2,038	108	2,038	9	2,038	4,470	2,534
Net current assets/(liabilities)	<b>156,719</b>	-	(406,559)	(82,359)	(388,978)	(89,483)	(455,600)	(115,511)	143,043	(52,000)
<b>Total assets less current liabilities</b>	<b>723,610</b>	-	142,163	(73,717)	87,212	(75,557)	31,667	(92,003)	808,129	35,744
Share capital	<b>30,367</b>		131,973		131,973		131,973		131,973	
Reserves	<b>391,638</b>		(320,061)		(407,485)		(403,378)		338,011	
Shareholders' funds/(deficit)	<b>422,005</b>		(188,088)		(275,512)		(271,405)		469,984	
Minority interests	<b>178,963</b>		165,157		158,007		155,902		206,256	
Non-current liabilities	<b>122,642</b>		165,094		204,717		147,170		131,889	
	<b>723,610</b>		142,163		87,212		31,667		808,129	

All of the above are consolidated figures.

The results, assets and liabilities of ZIAC and YJCM were reported in this summary as a discontinuing operations (see Note 4 in the accounts).