ORIENTAL METALS (HOLDINGS) COMPANY LIMITED

(incorporated in Hong Kong with limited liability)

2003 FINAL RESULTS ANNOUNCEMENT

RESULTS

The Directors of Oriental Metals (Holdings) Company Limited ("the Company") and its subsidiaries ("the Group") are pleased to announce the audited consolidated results for the year ended 31st December, 2003 as follows:–

	Note	**2003**	2002
		HK$'000	*HK$'000*
Turnover	*2*		
Continuing operations		**1,286,240**	812,199
Discontinuing operation	*3*	**76,832**	63,477
		1,363,072	875,676
Cost of sales		**(1,130,287)**	(767,196)
Gross profit		**232,785**	108,480
Other revenues	*2*	**4,973**	3,009
Other income, net		**5,169**	1,400
		242,927	112,889
Selling expenses		**(37,977)**	(31,047)
Administrative expenses		**(76,383)**	(61,220)
Other operating (expenses)/income	*4*	**(10,126)**	53,115
Profit from operations	*2*		
Continuing operations		**107,869**	69,432
Discontinuing operation	*3*	**10,572**	4,305
		118,441	73,737
Finance costs		**(38,195)**	(52,084)
Share of profits less losses of associated companies		**11,321**	5,851
Profit before taxation	*5*		
Continuing operations		**85,180**	28,378
Discontinuing operation	*3*	**6,387**	(874)
		91,567	27,504
Taxation	*6*	**6,470**	(2,487)

	Note	2003	2002
Profit after taxation		**98,037**	25,017
Minority interests		**(8,835)**	(5,341)
Profit attributable to shareholders		**89,202**	19,676
Dividends	*7*	**–**	–
Basic earnings per share	*8*	**HK$0.68**	HK$0.15

Notes:

1. Accounting policies and basis of preparation

The accounting policies and basis of preparation used in preparing the accounts for the current reporting year are consistent with those used in the audited accounts for the year ended 31st December, 2002 except that the Group has adopted the Statement of Standard Accounting Practice ("SSAP") 12 (revised) "Income Taxes" issued by the Hong Kong Society of Accountants, which is effective for accounting periods commencing on or after 1st January, 2003. Since the adoption of this revised SSAP had no material impact on the accounts for the year ended 31st December, 2003 and the accounts for prior accounting periods, comparative figures have not been restated.

2. Segment information

The segment information of the Group as analysed by business and geographical segments are shown as below:

By business segment:

	2003					
	Continuing operations				**Discontinuing operation**	**Total**
	Trading *HK$'000*	**Aluminium refinery** *HK$'000*	**Copper refinery and plica tubes production** *HK$'000*	**Corporate and others** *HK$'000*	**Aluminium cans production** *HK$'000*	*HK$'000*
REVENUE						
Sales and manufacturing of nonferrous metals and related products	**296,470**	**959,292**	**30,478**	**–**	**76,832**	**1,363,072**
OTHER REVENUES	**1**	**3,558**	**913**	**251**	**250**	**4,973**
Segment results	**100,355**	**27,171**	**3,819**	**(23,476)**	**10,572**	**118,441**
Finance costs	**(9,481)**	**(13,994)**	**(1,008)**	**(9,527)**	**(4,185)**	**(38,195)**
Share of profits less losses of associated companies	**–**	**1,114**	**10,207**	**–**	**–**	**11,321**
Taxation	**7,009**	**1,489**	**(1,709)**	**(319)**	**–**	**6,470**
Minority interests						**(8,835)**
Profit attributable to shareholders						**89,202**

	2002					
	Continuing operations				Discontinuing operation	Total
	Trading	Aluminium refinery	Copper refinery and plica tubes production	Corporate and others	Aluminium cans production	
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
REVENUE						
Sales and manufacturing of nonferrous metals and related products	–	763,538	48,661	–	63,477	875,676
OTHER REVENUES	81	1,351	635	902	40	3,009
Segment results	37,510	34,038	1,292	(3,408)	4,305	73,737
Finance costs	(10,029)	(20,045)	(1,899)	(14,932)	(5,179)	(52,084)
Share of profits less losses of associated companies	–	470	5,381	–	–	5,851
Taxation	–	(1,558)	(308)	(621)	–	(2,487)
Minority interests						(5,341)
Profit attributable to shareholders						19,676

By geographical location of operations:

	2003		2002	
	Group turnover	**Contribution to gross profit**	Group turnover	Contribution to gross profit
	HK$'000	***HK$'000***	*HK$'000*	*HK$'000*
Mainland China	**1,141,784**	**157,979**	851,316	104,764
Europe	**132,444**	**50,762**	–	–
America	**64,289**	**21,218**	1,002	56
Hong Kong	**774**	**94**	4,636	576
Others	**23,781**	**2,732**	18,722	3,084
	1,363,072	**232,785**	875,676	108,480

3. Discontinuing operation

On 15th April, 2004, the Company announced that the shareholders representing in aggregate 85% of the registered capital of Zhangzhou International Aluminium Container Company Limited ("ZIAC"), had filed an application to the relevant People's Republic of China ("PRC") government authority in respect of the winding-up of ZIAC prior to the expiration of its joint venture agreement on 16th September, 2004 pursuant to the termination clause stipulated in its Articles of Association. ZIAC is a 60% owned subsidiary of the

Group. Its sales, results, cash flows and net liabilities as at and for the year ended 31st December, 2003 are as follows:

	2003	2002
	HK$'000	*HK$'000*
Turnover	**76,832**	63,477
Profit from operations	**10,572**	4,305
Finance costs	**(4,185)**	(5,179)
Profit/(Loss) before taxation	**6,387**	(874)
Taxation	**–**	–
Profit/(Loss) after taxation	**6,387**	(874)
Net operating cash (outflow)/inflow	**(201)**	6,135
Net investing cash outflow	**(35)**	(298)
Net financing cash outflow	**(2,035)**	(3,966)
Total net cash (outflow)/inflow	**(2,271)**	1,871
Total assets	**34,757**	36,323
Total liabilities	**(102,340)**	(110,294)
Net liabilities	**(67,583)**	(73,971)

4. Other operating (expenses)/income

	2003	2002
	HK$'000	*HK$'000*
Provision for bad and doubtful debts	**(9,363)**	(22,691)
Provision for impairment in value of fixed assets (other than land and buildings)	**(3,412)**	(1,882)
Reversal of provision for compensation in respect of outstanding claims and litigations	**1,384**	6,829
Reversal of provision/(Provision) for impairment in value of land and buildings	**1,194**	(1,458)
Reversal of provision for impairment in value of investment securities	**71**	99
Reversal of provision for foreseeable loss on a long-term purchase contract	**–**	43,806
Gain on deconsolidation of a subsidiary under liquidation	**–**	29,754
Others	**–**	(1,342)
	(10,126)	53,115

5. **Profit before taxation is determined after charging and crediting the following:**

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

6. **Taxation**

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

Hong Kong profits tax has been provided at the rate of 17.5% (2002: 16%) 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 exempted 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 next immediate 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.

7. **Dividends**

No interim dividend was paid and the directors do not recommend the payment of a final dividend in respect of the year.

8. **Earnings per share**

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

The basic earnings per share is computed based on the weighted average of 131,972,695 ordinary shares (2002: 131,972,695 ordinary shares) in issue during the year, after adjusting for the share consolidation as disclosed in Note 9.

Should the basic earnings per share be computed based on the Group's profit attributable to shareholders of approximately HK$89,202,000 (2002:HK$19,676,000) and the weighted average number of 1,319,726,950 ordinary shares (2002:1,319,726,950 ordinary shares), representing the weighted average number of shares before adjusting for the share consolidation as disclosed in Note 9, the basic earnings per share would be HK$0.068 (2002:HK$0.015).

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

9. Share capital

	Number of shares At 31st December		At 31st December	
	2003	2002	**2003**	2002
	'000	*'000*	***HK$'000***	*HK$'000*
Authorised:				
Ordinary shares of HK$0.1 each	**3,000,000**	3,000,000	**300,000**	300,000
Issued and fully paid:				
Ordinary shares of HK$0.1 each	**1,319,727**	1,319,727	**131,973**	131,973

On 3rd December, 2003, the Company passed a resolution to combine 10 ordinary shares of HK$0.1 each into 1 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 5,700,000,000 ordinary shares of HK$0.05 each. The Capital Reduction was approved by the Court and became effective on 6th January, 2004.

10. The movements of reserves for the Group during the year are as follows:

	Share premium	**Revaluation reserve**	**General reserve**	**PRC statutory reserves**	**Exchange translation reserve**	**Accumulated losses**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1st January, 2003	800,030	496	15,600	64,422	2,877	(1,366,467)	(483,042)
Reversal of impairment loss for land and buildings	–	62	–	–	–	–	62
Transfer to PRC statutory reserves	–	–	–	5,192	–	(5,192)	–
Profit for the year	–	–	–	–	–	89,202	89,202
At 31st December, 2003	800,030	558	15,600	69,614	2,877	(1,282,457)	(393,778)

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS

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

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

BUSINESS REVIEW

Trading Operation

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

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

Direct Industrial Investments

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

Aluminium Refinery

North China Aluminium Company Limited ("NCA")

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

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

Copper Refinery and Plica Tube Production

Yinkou OrienMet Plica Tube Company Limited ("YOPT")

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

Changzhou Jinyuan Copper Company Limited ("CZJY")

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

Discontinuing Operation

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

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

Financial Resources and Cash Flow

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

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

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

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

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

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

Capital Expenditure

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

Foreign Currency Risk

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

Pledge of Assets

The Group's bank loans amounting to approximately HK$355,000,000 were secured by the Group's fixed assets with a net book value of approximately HK$258,000,000 as at 31st December, 2003.

Contingent Liabilities

As at 31st December, 2003, the Company provided a corporate guarantee to a financial institution in respect of banking facilities granted to an associated company amounting to approximately HK$24,000,000 (2002: HK$24,000,000). The guarantee is valid up to the end of 2005.

As at 31st December, 2003, the Group had unsettled tax payables in respect of certain properties in Mainland China which may result in potential additional charges. No provision has been made by the Group since the amount of additional charges, if any, cannot be reliably determined. However, the potential additional charges are not expected to exceed HK$4,000,000 (2002: HK$4,000,000).

Change in Interests in Subsidiaries and Associated Companies

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

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

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

Debt and Capital Restructuring

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

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

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

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

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

Employees

As at 31st December, 2003, the Group employed approximately 2,500 staff (not including the staff of the associated companies). The total staff cost (including the directors' emoluments) for the year was approximately HK$48,000,000. The Group adopted a pay policy in line with market practice, and remuneration was determined with reference to the performance and experience of individual employees. In addition, share option and discretionary bonuses will also be granted to eligible staff based on their performance. The Group is also aware of the importance of quality management and specialist expertise in achieving corporate success. Various forms of professional training are provided to employees at different levels as and when required.

Outlook

The continued economic development in the PRC has led to rapid growth in industrial and infrastructural investments, which has in turn driven the substantial upsurge in the demand for various types of metals.

In 2004, the Company will continue to expand its trading business and strengthen the management of its invested enterprises. With the continued improvement in its financial position, the Company will fully capitalise on its potential advantages derived from the synergies between its trading and industrial investments, to further enlarge its trading volume.

Minmetals HK and its parent company, China National Metals and Minerals Import and Export Corporation (with its name changed to China Minmetals Corporation on 18th January, 2004), have an extensive and diversified business portfolio, as well as a broad commercial network and abundant resources. These elements are expected to play a positive role in the Company's long-term development.

In addition to the existing businesses of nonferrous metals trading and refinery, the Company will strive to further explore the opportunities in upstream resources and downstream refinery in order to achieve and strengthen its competitiveness through vertical integration and to enhance the Company's profitability. However, the Company does not have a concrete investment plan at this stage.

We will dedicate to further strengthening the Company's corporate governance and to increasing its transparency. We are also committed to continued enhancement of the Company's operation efficiency and the return on assets, in order to generate reasonable returns to shareholders and maximize shareholder's value.

Dividends

The Directors do not recommend the payment of a final dividend for the year.

Closure of book

The Transfer Books and Register of Members will be closed from 24th May, 2004 to 28th May, 2004, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for attending the Annual General Meeting, all transfers accompanied by the relevant share certificates must be lodged with the Share Registrars of the Company, Computershare Hong Kong Investor Services Limited, at 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:00 p.m. on 21st May, 2004.

Purchase, Sale or Redemption of the Company's Listed Securities

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

Code of Best Practice

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

Audit Committee

The Company established an audit committee with written terms of reference consisting of two independent non-executive directors in July 1999 pursuant to the Code of Best Practice. The principal duties of the audit committee include the review and supervision of the Company's financial reporting process and internal controls. During the year, the committee held two meetings.

Publication of Detailed Results Announcement on the Stock Exchange's Website

A detailed announcement containing all the information in respect of the Company required by paragraphs 45(1) to 45(3) of Appendix 16 to the Listing Rules will be published on the Stock Exchange's website in due course.

By Order of the Board
Xu Huizhong
Director and President

Hong Kong, 16th April, 2004

"Please also refer to the published version of this announcement in The Standard".