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## **ORIENTAL METALS (HOLDINGS) COMPANY LIMITED**

*(Incorporated in Hong Kong with limited liability)*

### **CLARIFICATION ANNOUNCEMENT**

The Board refers to an article appearing in a recent edition of a magazine dated 19th June, 2003 and a press article dated 23rd June, 2003 in relation to certain financial information of the Group for previous years and the amount of consideration proposed by Minmetals HK for the acquisition of the Company or the subscription of the new shares of the Company and the acquisition of debts owing by the Group.

The Board hereby clarifies that certain financial information and its description in relation to the Group's accounts for the years ended 31st December, 1999 and 2000 and the share of profit from Changzhou Jinyuan as alleged in the aforesaid two articles is not accurate, nor it reflects a complete picture on the financial position of the Company. The Board also confirms that the Company is not aware of the information as alleged in one of the articles in relation to the consideration of HK\$100 million proposed by Minmetals HK for the subscription of new shares of the Company and the acquisition of the debts owing by the Group and the other article in relation to the consideration of HK\$300 million proposed by Minmetals HK for the acquisition of the Company and another listed company in Hong Kong.

The Board announces that the Company received a letter from BNP Peregrine on 25th June, 2003 informing that the negotiation in relation to the possible Debts Acquisitions and Subscription has reached a final stage and is subject to the finalization of the agreements relating to the Debts Acquisitions and Subscription. Further announcement will be made as and when appropriate.

At the request of the Company, trading in the shares of the Company was suspended with effect from 9:37 a.m. on 23rd June, 2003 pending publication of this announcement. Application has been made to the Stock Exchange for resumption of trading in the shares of the Company with effect from 9:30 a.m. on 26th June, 2003.

**Shareholders of the Company and investors should exercise caution when dealing in the shares of the Company.**

The Board refers to an article appearing in the recent edition of a magazine dated 19th June, 2003 and a press article dated 23rd June, 2003 in relation to certain financial information of the Group for the years ended 31st December, 1999, 2000 and 2001, inter alia, an allegation that the Group had made a huge loss of approximately HK\$860,000,000 for the year ended 31st December, 2001 which turned the financial position of the Group from a shareholders' equity of approximately HK\$500,000,000 to a shareholders'

deficit of approximately HK\$360,000,000. The Board also refers to one of the articles in relation to the consideration of HK\$100 million proposed by Minmetals HK for the subscription of new shares of the Company and the acquisition of the debts owing by the Group and the other article in relation to the consideration of HK\$300 million proposed by Minmetals HK for the acquisition of the Company and another listed company in Hong Kong.

The Board hereby clarifies that certain financial information and its description set out below in relation to the Group's accounts for the years ended 31st December, 1999 and 2000 and the share of profit from Changzhou Jinyuan, an associate of the Company, as alleged in the aforesaid two articles is not accurate, nor it reflects a complete picture on the financial position of the Company.

1. The total assets, total liabilities including minority interest, and net assets of the Group amounted to HK\$2,100 million, HK\$1,400 million plus (approximately) and HK\$760 million (approximately) respectively for the year ended 31st December, 1999 as mentioned in one of the articles is not correct. The correct figures as disclosed in the Company's 1999 annual report for the total assets, total liabilities including minority interest and net assets should be approximately HK\$2,039 million, HK\$1,369 million, and HK\$670 million respectively.
2. The provision for bad and doubtful debts of the Group amounted to HK\$200 million for the year ended 31st December, 2000 as mentioned in one of the articles is not correct. The correct figures as disclosed in the Company's 2000 annual report should be approximately HK\$52 million.
3. The share of profit of approximately HK\$30 million yearly from Changzhou Jinyuan as mentioned in one of the articles is not correct and cannot accurately and wholly reflect the performance of the Group's direct industrial investments. Indeed, the Group's share of profit of approximately HK\$11 million for 2002 and loss of approximately HK\$153 million for 2001 in respect of its direct industrial investments. This information has already been disclosed in the Company's 2002 and 2001 annual reports.

As disclosed in the Previous Announcements, the primary reason for the Group's loss for the year ended 31st December, 2001 was the result of a significant increase in provisions amounted to approximately HK\$717,000,000. The provisions included provisions for bad and doubtful debts, long-term purchase contract, fixed assets and outstanding litigations. Of these, a full provision was made against certain long outstanding receivables of approximately HK\$470,000,000 from the Group's related companies as a result of the failure to obtain a letter of comfort from the State Nonferrous Metals Industry Administration, the ultimate controlling shareholder of the Company, which was dissolved in February 2001. Particulars of the aforesaid provisions as disclosed in the Previous Announcements are as follows:

<u>Provisions for the year ended 31st December, 2001</u>	<u>HK\$'000</u>
Bad and doubtful debts	591,919
Long-term purchase contract	56,040
Impairment in value of fixed assets (other than land and buildings)	38,876
Outstanding litigations	16,256
Impairment in value of land and building	10,413
Impairment in value of investments in securities	594
Others	2,985
	<u>717,083</u>

In preparing the Group's audited accounts for the years ended 31st December, 1999, 2000 and 2001, the Group had adopted the principal accounting policies that were conformed to accounting principles generally accepted in Hong Kong and accounting standards issued by the Hong Kong Society of Accountants. In view of the difficulties in the recoverability of the aforesaid long outstanding receivables of approximately HK\$470,000,000 despite extended efforts made by the Group and the relevant authorities and the relevant situations for the other provisions, the Board believes that the estimates and judgments made for the provisions against the receivables and others were appropriate in the circumstances.

The Board also confirms that the Company is not aware of the information as alleged in one of the articles in relation to the consideration of HK\$100 million proposed by Minmetals HK for the subscription of new shares of the Company and the acquisition of the debts owing by the Group and the other article in relation to the consideration of HK\$300 million proposed by Minmetals HK for the acquisition of the Company and another listed company in Hong Kong.

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## **DEFINITIONS**

“BNP Peregrine”	BNP Paribas Peregrine Capital Limited
“Board”	the board of directors including independent non-executive directors of the Company
“Changzhou Jinyuan”	Changzhou Jinyuan Copper Company Limited, an equity joint venture established in the People's Republic of China, which is owned as to 25% directly by the Company and as to 22.5% indirectly by an associate (in liquidation) of the Company
“Company”	Oriental Metals (Holdings) Company Limited, the shares of which are listed on the Stock Exchange
“CNMG”	China Nonferrous Metals Group (Hong Kong) Limited (in liquidation)
“CNGF”	China Nonferrous Metals (Hong Kong) Finance Company Limited (in liquidation), a wholly owned subsidiary of CNMG

“Debts Acquisitions”	the negotiation between Minmetals HK and liquidators of CNMG and CNGF and banks of the Company in relation to the proposed acquisition of the debts owing by the Company as disclosed in the Company’s announcement dated 28th May, 2003
“Group”	the Company and its subsidiaries
“Minmetals HK”	China Minmetals H.K. (Holdings) Limited
“Previous Announcements”	the Company’s announcements dated 14th June, 2002 and 19th June, 2002
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	the proposed subscription of new shares in the Company by Minmetals HK to obtain the controlling interests in the Company as disclosed in the Company’s announcement dated 28th May, 2003

By Order of the Board  
**Xu Huizhong**  
*President*

Hong Kong, 25th June, 2003

*The directors of the Company jointly and severally accept full responsibility for the accuracy of the information contained in this announcement and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statement in this announcement misleading.*

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