THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in doubt as to any aspect of this circular or as to the action to be taken, you should consult a licensed securities dealer, bank manager, solicitor, professional accountant, or other professional adviser.

If you have sold or transferred all your shares in Oriental Metals (Holdings) Company Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee(s) or to the bank, a licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee(s).

CHINA MINMETALS H.K. (HOLDINGS) LIMITED
（中國五礦香港控股有限公司）
(Incorporated in Hong Kong with limited liability)

ORIENTAL METALS (HOLDINGS) COMPANY LIMITED
東方鑫源（集團）有限公司
(Incorporated in Hong Kong with limited liability)

COPPERMINE RESOURCES LIMITED
(Incorporated in the British Virgin Islands with limited liability)

Restructuring Proposal (involving the Debt Purchase, Subscription and Capital Restructuring), application for the Whitewash Waiver and the Special Deal Consent, and general mandates to issue and repurchase New Shares

Financial adviser to China Minmetals H.K. (Holdings) Limited and Coppermine Resources Limited

BNP PARIBAS PEREGRINE

Financial adviser to Oriental Metals (Holdings) Company Limited

REXCAPITAL (HONG KONG) LIMITED

Independent financial adviser to the Independent Board Committee

SOMERLEY LIMITED

A letter from the Independent Board Committee (as defined herein) containing its advice to the Independent Shareholders (as defined herein) is set out on pages 31 and 32 of this circular. A letter from Somerley Limited containing its advice to the Independent Board Committee is set out on pages 33 to 50 of this circular.

A notice convening the EGM (as defined herein) to be held at Shek O Room, Lower Level I, Kowloon Shangri-La Hotel, 64 Mody Road, Tsimshatsui East, Kowloon, Hong Kong on 3rd December, 2003 at 11:00 a.m. is set out on pages 114 to 119 of this circular. Whether or not you are able to attend and vote at the EGM, you are requested to complete the enclosed form of proxy and return it to the Company's Registrar, Computershare Hong Kong Investor Services Limited of Rooms 1901-5, 19th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong in accordance with the instructions printed thereon as soon as possible and in any event not later than 48 hours before the time appointed for the holding of the EGM or any adjournments thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournments thereof should you so wish.

6th November, 2003

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EXPECTED TIMETABLE

Latest time for lodging forms of proxy for the EGM	11:00 a.m. on 1st December, 2003
EGM	11:00 a.m. on 3rd December, 2003
Announcement of results of EGM on or around	4th December, 2003
Hearing of petition for confirmation of the Capital Reduction by the Court expected to be on	6th January, 2004

The following events are dependent upon, among others, the outcome of the Court hearing:

Effective date of the Capital Restructuring#	7th January, 2004
First day for the designated broker to stand in the market to provide matching services for odd lots trading	7th January, 2004
Closure of original counter for trading in the Existing Shares (represented by existing share certificates) in board lots of 2,000 each	9:30 a.m. on 7th January, 2004
Opening of temporary counter for trading in the New Shares (represented by existing share certificates) in board lots of 200 each	9:30 a.m. on 7th January, 2004
First day for free exchange of share certificates for the Existing Shares for new share certificates for the New Shares	7th January, 2004
Re-opening of original counter for trading in the New Shares (represented by new share certificates) in board lots of 4,000 each	9:30 a.m. on 21st January, 2004
Parallel trading commences	9:30 a.m. on 21st January, 2004
Closure of temporary counter for trading in the New Shares (represented by existing share certificates) in board lots of 200 each	4:00 p.m. on 13th February, 2004
Parallel trading ends	4:00 p.m. on 13th February, 2004
Last day for the designated broker to stand in the market to provide matching services	13th February, 2004
Last day for free exchange of share certificates for the Existing Shares for new certificates for the New Shares	18th February, 2004

The Capital Reduction will become effective upon the registration by the Registrar of Companies in Hong Kong of an office copy of the order of the Court confirming the reduction and a minute of the order containing the particulars required under the Companies Ordinance.

Shareholders should note that the above timetable is subject to change.

Notes:

1. In order to be valid, forms of proxy must be lodged with the Registrar, by hand or by post, at Rooms 1901-5, 19th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, as soon as possible and in any event not later than 48 hours before the EGM or any adjournment thereof. Completion and return of a form of proxy for the EGM will not preclude a Shareholder from attending the EGM and voting in person if he so wishes. In such event, the returned form of proxy will be deemed to have been revoked.

2. All references in this circular to times and dates are references to Hong Kong times and dates.

In this circular (other than the notice of the EGM), the following expressions have the meanings set out below unless the content requires otherwise:

"Accumulated Losses"	the amount of the accumulated losses of the Company calculated up to the date for the convening of the extraordinary general meeting of the Company for the purpose of approving the Share Premium Account Reduction
"Announcement"	the joint announcement dated 16th October, 2003 made by the Company, Minmetals HK and Coppermine in relation to, amongst others, the Debt Purchase, the Subscription and the Capital Restructuring
"Associates"	has the same meaning as ascribed to it in the Listing Rules
"Banks"	The Hongkong and Shanghai Banking Corporation Limited, Bank of China (Hong Kong) Limited, The Bank of East Asia, Limited, The Bank of Tokyo-Mitsubishi, Ltd., Hong Kong Branch, ING Bank N.V., Hong Kong Branch, Fortis Bank Asia HK, and banks of the Syndicated Loan, comprising Sumitomo Mitsui Banking Corporation, Banca Nazionale del Lavoro S.p.A. Hong Kong Branch, Credit Suisse First Boston, Singapore Branch, Bayerische Hypo-und Vereinsbank AG, Hong Kong Branch, Industrial and Commercial Bank of China (Asia) Limited and UFJ Bank Limited, Hong Kong Branch
"Bank Debts"	all debts (including all principal amounts and interests) owing by the Company to the Banks as at completion of the Debt Purchase, the principal amount and capitalised interest of which is HK$374,195,021.84 as at 31st December, 2001 (HK$417,797,697.13 as at 3rd September, 2003 according to the Company's records)
"BNP Paribas Peregrine"	BNP Paribas Peregrine Capital Limited, the financial adviser to Minmetals HK and Coppermine, deemed licensed to conduct type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO
"Board"	the board of Directors (including both executive Directors and independent non-executive Directors)

"Business Day"	a day (excluding Saturday) on which banks in Hong Kong are generally open for business for more than four hours
"Capital Reduction"	the proposed reduction of the nominal value of each of the issued and unissued Consolidated Share from HK$1.00 to HK$0.05, being the nominal value of the New Shares, and the cancellation of the paid up capital to the extent of HK$0.95 on each Consolidated Share in issue
"Capital Restructuring"	the Share Consolidation, the Capital Reduction and the increase and restoration of the authorised share capital of the Company to HK$300,000,000 immediately following the Capital Reduction
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"China Minmetals"	中國五金礦產進出總公司(China National Metals and Minerals Import and Export Corporation), a state-owned enterprise in the PRC, managed by the State-owned Assets Supervision and Administration Commission (國務院國有資產監督管理委員會) and the holding company of Minmetals HK and Coppermine, which is not connected with the directors, chief executive or substantial shareholders of the Company, any of its subsidiaries or their respective Associates
"CNMG"	China Nonferrous Metals Group (Hong Kong) Limited (in liquidation), the controlling shareholder of the Company which is interested in 596,044,203 Existing Shares, representing approximately 45.2% of the existing issued share capital of the Company and acting through Messrs. John Robert Lees and Desmond Chung Seng Chiong as its joint and several liquidators
"CNMG Debt"	all inter-company debts (all of which are non-interest bearing) owing by the Company to CNMG as at completion of the Debt Purchase of a principal amount of HK$4,929,921.56 as at 3rd September, 2003
"CNMF"	China Nonferrous Metals (Hong Kong) Finance Company Limited (in liquidation), a wholly-owned subsidiary of the controlling shareholder of the Company and acting through Messrs. John Robert Lees and Desmond Chung Seng Chiong as its joint and several liquidators

"CNMF Debt"	all inter-company debts (including all principal amounts and interests) owing by the Company to CNMF of a principal amount and accrued interest of HK$40,233,084.81 as at 3rd September, 2003
"Companies Ordinance"	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong)
"Company"	Oriental Metals (Holdings) Company Limited 東方鑫源(集團)有限公司, a company incorporated in Hong Kong with limited liability, the Existing Shares of which are listed on the Stock Exchange
"Consolidated Share(s)"	ordinary share(s) of HK$1.00 each in the capital of the Company arising as a result of the Share Consolidation
"Coppermine"	Coppermine Resources Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of Minmetals HK
"Court"	the Court of First Instance of the High Court of Hong Kong
"Debt Purchase"	the proposed acquisition of the CNMG Debt, CNMF Debt and Bank Debts, in accordance with the terms and conditions stated in the corresponding sale and purchase agreements entered into by Coppermine and CNMG, CNMF and the Banks respectively on 15th October, 2003
"Director(s)"	director(s) of the Company
"EGM"	an extraordinary general meeting of the Company to be held on 3rd December, 2003 to consider and approve, among other things, the Subscription, the Capital Restructuring, the Whitewash Waiver and the Special Deal, and any adjournment thereof, a notice of which is set out on pages 114 to 119 of this circular
"Executive"	the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director
"Existing Share(s)"	ordinary share(s) of HK$0.10 each in the capital of the Company prior to the Capital Restructuring becoming effective

"Framework Agreement"	a framework agreement dated 21st January, 2003 for the sale during the year of 2003 of an aggregate of approximately 180,000 metric tonnes of alumina by the Company to China Minmetals Nonferrous Metals Company Limited, a subsidiary of China Minmetals
"Group"	the Company and its subsidiaries
"HKSCC"	Hong Kong Securities Clearing Company Limited
"Hong Kong"	Hong Kong Special Administrative Region of the PRC
"HK GAAP"	accounting principles generally accepted in Hong Kong
"Independent Board Committee"	the independent board committee of the Company comprising all the independent non-executive Directors and established for the purpose of advising the Independent Shareholders
"Independent Shareholder(s)"	Shareholder(s) other than CNMG and any parties acting in concert with it or any parties who are involved in or interested in the Debt Purchase, the Subscription and the Whitewash Waiver
"Latest Practicable Date"	4th November, 2003, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Minmetals HK"	China Minmetals H.K. (Holdings) Limited (中國五礦香港控股有限公司), a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of China Minmetals
"New Share(s)"	ordinary share(s) of HK$0.05 each in the capital of the Company upon the Capital Restructuring becoming effective
"ONFEM"	ONFEM Holdings Limited, a company incorporated in Bermuda with limited liability and the shares of which are listed on the Stock Exchange

"ONFEM Transaction"	the sale and purchase of the controlling interest in ONFEM under the sale and purchase agreement dated 15th October, 2003 and entered into between CNMG as the vendor and a subsidiary of Minmetals HK as the purchaser
"OS/OP Transaction"	the proposed acquisition of the indebtednesses owing by both Oriental Shipping and Transportation Company Limited and Orienmet Properties Company Limited to CNMG
"PRC"	People's Republic of China
"PwC"	PricewaterhouseCoopers, the auditors of the Company
"Registrar"	Computershare Hong Kong Investor Services Limited, the share registrar of the Company and whose registered office is situate at Rooms 1901-5, 19th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong
"Repurchase Resolution"	the ordinary resolution to give a general mandate to the Directors to exercise the powers of the Company to repurchase shares of the Company as set out in the ordinary resolution numbered 5 in the notice of the EGM
"Restructuring Proposal"	the Debt Purchase, the Subscription and the Capital Restructuring
"REXCAPITAL (Hong Kong)"	REXCAPITAL (Hong Kong) Limited, the financial adviser to the Company, deemed licenced to conduct type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO
"SFC"	Securities and Futures Commission of Hong Kong
"SFO"	Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
"Share Consolidation"	the proposed consolidation of every ten issued and unissued Existing Shares into one Consolidated Share of HK$1.00 each
"Shareholder(s)"	holder(s) of the Existing Shares or, the Consolidated Share or the New Shares, as the case may be

"Share Premium Account Reduction"	the proposed reduction of the share premium account of the Company for the purpose of eliminating the Accumulated Losses to be effected as soon as practicable after the completion of the Restructuring Proposal
"Somerley"	Somerley Limited, the independent financial adviser to the Independent Board Committee, licensed corporation to conduct type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO
"Special Deal"	the proposed acquisition of the CNMG Debt and the CNMF Debt by Coppermine and the application by Coppermine of, among other things, the aggregate amount of such debts so purchased as consideration for the Subscription
"Special Deal Consent"	the consent from the Executive in respect of the Special Deal as required under Rule 25 of the Takeovers Code
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subscription"	the subscription of the Subscription Shares by Coppermine pursuant to the Subscription Agreement
"Subscription Agreement"	the subscription agreement dated 15th October, 2003 entered into between the Company and Coppermine in relation to the Subscription
"Subscription Shares"	475,376,917 New Shares to be subscribed by Coppermine under the Subscription Agreement
"Syndicated Loan"	the syndicated loan in respect of a US$35 million facility owed by the Company to a syndicate of banks comprising Sumitomo Mitsui Banking Corporation, Banca Nazionale del Lavoro S.p.A. Hong Kong Branch, Credit Suisse First Boston, Singapore Branch, Bayerische Hypo-und Vereinsbank, AG, Hong Kong Branch, Industrial and Commercial Bank of China (Asia) Limited and UFJ Bank Limited, Hong Kong Branch
"Takeovers Code"	Hong Kong Code on Takeovers and Mergers

"Whitewash Waiver"	a waiver from the obligation of Coppermine and parties acting in concert with it to make a mandatory general offer for all the issued New Shares not already owned or agreed to be acquired by Coppermine and parties acting in concert with it under the Takeovers Code pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code
"HK$"	Hong Kong dollar(s), the lawful currency of Hong Kong
"RMB"	Renminbi, the lawful currency of the PRC
"US$"	US dollar(s), the lawful currency of the United States of America

Note: For the purpose of this circular, unless otherwise indicated, exchange rates of HK$7.80 = US$1.00 and HK$1.00 = RMB1.06 have been used for currency translations, where applicable. The exchange rates are for the purposes of illustration only and do not constitute a representation that any amounts in HK$, RMB or US$ have been, could have been or may be converted at these or any other rates.

ORIENTAL METALS (HOLDINGS) COMPANY LIMITED
東方鑫源(集團)有限公司

(Incorporated in Hong Kong with limited liability)

Executive Directors:
GAO Dezhu *(Chairman)*
XU Huizhong
LAU Yat Ching
WANG Xingdong
DENG Weihua

Independent non-executive Directors:
CHAN Wai Dune
TING Leung Huel, Stephen

Principal place of business and registered office:
18th Floor
China Minmetals Tower
79 Chatham Road South
Tsimshatsui, Kowloon
Hong Kong

6th November, 2003

To the Shareholders

Dear Sir or Madam,

Restructuring Proposal (involving the Debt Purchase, Subscription and Capital Restructuring), application for the Whitewash Waiver, Special Deal Consent, and general mandates to issue and repurchase New Shares

INTRODUCTION

It was announced on 16th October, 2003 that Coppermine, a wholly-owned subsidiary of Minmetals HK, had entered into various agreements for the purpose of giving effect to the Restructuring Proposal, which involves the Debt Purchase, the Subscription, and the Capital Restructuring.

Pursuant to the Debt Purchase, Coppermine will acquire the debts owed by the Company to CNMG, CNMF and the Banks at a purchase price of 25 Hong Kong cents in a dollar, thus resulting in a total consideration of approximately HK$104.5 million.

In addition, after completion of the Capital Restructuring which involves, amongst other things, the Share Consolidation and the Capital Reduction, Coppermine will subscribe for approximately 475 million New Shares by way of the Subscription at a subscription price of HK$0.88 per New Share. The consideration for the Subscription of approximately HK$418 million will be set off against the debts to be purchased by Coppermine under the Debt Purchase and by cash payment in respect of the shortfall, if any.

The Subscription is conditional on, among other things, the Capital Restructuring becoming effective.

Upon completion of the Restructuring Proposal, Coppermine will become the new controlling shareholder of the Company holding approximately 78.3% of the issued share capital of the Company as enlarged by the issue of the Subscription Shares under the Subscription.

Under Rule 26 of the Takeovers Code, upon completion of the Subscription Agreement, Coppermine and parties acting in concert with it would be obliged to make a mandatory unconditional general offer for all the New Shares in issue other than those already owned or agreed to be acquired by Coppermine and parties acting in concert with it. Coppermine has applied to the Executive for the Whitewash Waiver. The Executive has indicated that the Whitewash Waiver will be granted, subject to the approval of the Independent Shareholders on a vote to be taken by way of a poll. If the Whitewash Waiver is not obtained or approved by the Independent Shareholders on or before 15th February, 2004 (or such later date as may be agreed between Coppermine and the Company), the Restructuring Proposal will lapse. As such, no general offer will be made to the Shareholders.

In addition, the application by Coppermine of the aggregate amount of the CNMG Debt and the CNMF Debt purchased by it as part of the consideration for the Subscription will constitute a special deal under Rule 25 of the Takeovers Code. The Company has applied to the Executive for the Special Deal Consent. The Executive has indicated that the Special Deal Consent will be granted subject to the independent financial adviser stating in its opinion that the terms of the acquisitions of the CNMG Debt and the CNMF Debt are fair and reasonable so far as the Independent Shareholders are concerned, and subject to the approval of the Independent Shareholders on a vote to be taken by way of a poll. At the EGM, the Independent Shareholders will consider and approve, among other things, the Special Deal. Completion of the Subscription Agreement is conditional upon, among other things, the granting of the Special Deal Consent and the approval of the transactions contemplated thereunder by the Independent Shareholders. If the Special Deal Consent is not obtained or the Special Deal is not approved by the Independent Shareholders on or before 15th February, 2004 (or such later date as may be agreed between Coppermine and the Company), as in the case of the Whitewash Waiver, the Restructuring Proposal will lapse.

The Board comprises seven Directors, five of whom are executive Directors and two of whom are independent non-executive Directors. Of the executive Directors, Mr. Xu Huizhong, Mr. Wang Xingdong and Mr. Deng Weihua are also employees of China Minmetals. Both Mr. Gao Dezhu and Mr. Lau Yat Ching hold directorship in CNMG, which is currently in liquidation. Consequently, all the executive Directors are not considered to be independent in the context of the Restructuring Proposal. Accordingly, the Independent Board Committee comprising Mr. Chan Wai Dune and Mr. Ting Leung Huel, Stephen, both independent non-executive Directors, has been appointed by the Board to advise the Independent Shareholders in connection with the Subscription and the transactions contemplated thereunder, the Whitewash Waiver and the Special Deal. Somerley has been appointed as the independent financial adviser to advise the Independent Board Committee in connection with the Subscription and the transactions contemplated thereunder, the Whitewash Waiver and the Special Deal.

The purpose of this circular is to provide you with further information regarding the Restructuring Proposal, in particular the Whitewash Waiver and the Special Deal, and to give you notice of the EGM. Your attention is also drawn to the letter from the Independent Board Committee set out on pages 31 and 32 of this circular and the letter of advice from Somerley set out on pages 33 to 50 of this circular.

THE RESTRUCTURING PROPOSAL

On 15th October, 2003, Coppermine entered into various agreements to give effect to the Restructuring Proposal comprising the Debt Purchase, the Subscription and the Capital Restructuring. Details of the Restructuring Proposal are set out below:

THE DEBT PURCHASE

On 15th October, 2003, Coppermine entered into certain conditional sale and purchase agreements for the acquisitions of the CNMG Debt, the CNMF Debt and the Bank Debts.

Proposed acquisition of the CNMG Debt

Parties

Seller:	CNMG
Purchaser:	Coppermine
Joint and several liquidators of CNMG:	Messrs. Desmond Chung Seng Chiong and John Robert Lees

Debts to be acquired

The debts to be acquired shall be the principal amount of all non-interest bearing inter-company debts owed by the Company to CNMG on completion of the Debt Purchase. The amount of such debts to be acquired was HK$4,929,921.56 as at 3rd September, 2003. Such debts to be so acquired on completion will be subject to adjustment as a result of, among other things, any repayment prior to completion.

Proposed acquisition of the CNMF Debt

Parties

Seller:	CNMF
Purchaser:	Coppermine
Joint and several liquidators of CNMF:	Messrs. Desmond Chung Seng Chiong and John Robert Lees

Debts to be acquired

The debts to be acquired shall be the aggregate principal amount and accrued interest of all inter-company debts owing by the Company to CNMF as at completion of the Debt Purchase. The amount of such debts to be acquired was HK$40,233,084.81 as at 3rd September, 2003. Such debts to be acquired on completion are subject to adjustments as a result of, inter alia, any repayment of the debts or further accrual of interests prior to completion of the Debt Purchase.

Proposed acquisition of the Bank Debts

Parties

Sellers:	The Banks, namely, The Hongkong and Shanghai Banking Corporation Limited, Bank of China (Hong Kong) Limited, The Bank of East Asia, Limited, The Bank of Tokyo-Mitsubishi Ltd., Hong Kong Branch, ING Bank N.V., Hong Kong Branch, Fortis Bank Asia HK, and banks of the Syndicated Loan, comprising of Sumitomo Mitsui Banking Corporation, Banca Nazionale del Lavoro S.p.A. Hong Kong Branch, Credit Suisse First Boston, Singapore Branch, Bayerische Hypo-und Vereinsbank AG, Hong Kong Branch, Industrial and Commercial Bank of China (Asia) Limited and UFJ Bank Limited, Hong Kong Branch
Purchaser:	Coppermine
Liaison Bank:	The Hongkong and Shanghai Banking Corporation Limited
Syndicate agents of the Syndicated Loan:	Sumitomo Mitsui Banking Corporation and UFJ Bank Limited, Hong Kong Branch

Debts to be acquired

The debts to be acquired shall be the aggregate principal amount and interest of all debts owing by the Company to the Banks as at completion of the Debt Purchase. The principal amounts and capitalised interest of such debts to be acquired was HK$374,195,021.84 as at 31st December, 2001 (HK$417,797,697.13 as at 3rd September, 2003 according to the financial records of the Company). Such debts to be acquired on completion are subject to adjustments as a result of, inter alia, any repayment of the debts or further accrual of interests prior to completion of the Debt Purchase. Upon completion of the Subscription, Coppermine will waive any Bank Debts purchased by it that may remain owing by the Company. None of the Banks are related to and none of them are acting in concert with the Company and/or CNMG and/or CNMF and/or their respective Associates, and none of the Banks and parties acting in concert with the Banks have any interest in any securities in the Company.

Purchase price

Coppermine will acquire each of the abovementioned debts at the purchase price of 25 Hong Kong cents in a dollar based on (a) the principal amount outstanding as at 3rd September, 2003 in respect of the debts owing to CNMG in the amount of HK$4,929,921.56; (b) the principal amount outstanding as at 10th April, 2002 in respect of the debts owing to CNMF in the amount of HK$38,858,404.44; and (c) the principal amount and the capitalised interest outstanding as at 31st December, 2001 in respect of the debts owing to the Banks in the amount of HK$374,195,021.84.

When considering the acquisition price of the Bank Debts, CNMG Debt and CNMF Debt, Minmetals HK had taken into account the financial difficulty of the Group (particulars of which are set out under the section headed "Reasons for the Restructuring Proposal"), the economic outcome for the Debt Purchase and the recoverability of the unsecured debts of the Company. The acquisition price was concluded after negotiations with the respective parties on normal commercial terms and on a fair and reasonable basis.

The aggregate consideration payable by Coppermine under the Debt Purchase will be approximately HK$104.5 million in cash, subject to adjustments as a result of, inter alia, any repayment of such debts prior to completion.

Conditions

Completion of the agreements relating to the Debt Purchase would be conditional upon, among other things, the following conditions being fulfilled:

(a) no termination or rescission of any of the agreements relating to the acquisitions of the CNMG Debt, CNMF Debt and the Bank Debts or the agreement relating to the Subscription shall have occurred; and

(b) the agreements relating to the Debt Purchase and the Subscription Agreement becoming unconditional in all respects (other than any condition requiring any of the other agreements to become unconditional in all respects or be completed).

Completion

The agreements relating to the Debt Purchase will be completed simultaneously and immediately before the completion of the Subscription Agreement, subject to the fulfillment of various conditions set out in these agreements including without limitation, the Capital Restructuring having been approved and effected. It is expected that the Debt Purchase will be completed on or before 15th February, 2004.

THE SUBSCRIPTION

Date

15th October, 2003

Parties

Issuer:	the Company
Subscriber:	Coppermine

Subscription of New Shares

Under the Subscription, the Company will issue to Coppermine and Coppermine will subscribe for 475,376,917 New Shares at a subscription price of HK$0.88 per Subscription Share following the completion of the Capital Restructuring. Such Subscription Shares represent 4,753,769,170 Existing Shares at a price of HK$0.088 each if the Share Consolidation and Capital Reduction are not implemented. The Subscription consideration of HK$418,331,686.96 will be settled by setting off the debts to be acquired by Coppermine under the Debt Purchase, and by further cash payment in respect of the shortfall, if any. If the aggregate amount of the debts acquired by Coppermine under the Debt Purchase exceeds the subscription price of the Subscription Shares, Coppermine shall waive the excess of the Bank Debts in favour of the Company.

The subscription price of HK$0.88 per Subscription Share represents a discount to the nominal value of a Consolidated Share of HK$1.00. Accordingly, the Subscription is conditional upon, among other things, the Capital Reduction taking effect.

Subscription price

The subscription price of HK$0.88 per Subscription Share (equivalent to HK$0.088 per Existing Share) represents:

- an excess of HK$0.333 over the unaudited consolidated net deficit of the Company as at 30th June, 2003 of approximately HK$0.245 per Existing Share;

- a discount of 64.8% to the closing price of HK$0.25 per Existing Share as quoted on the Stock Exchange on the Latest Practicable Date;

- a discount of approximately 71.6% to the closing price of HK$0.31 per Existing Share as quoted on the Stock Exchange on 14th October, 2003, being the last trading day prior to the date of the Announcement;

- a discount of approximately 71.6% to the average closing price of HK$0.31 per Existing Share over the five trading days up to and including 14th October, 2003;

- a discount of approximately 71.7% to the average closing price of HK$0.311 per Existing Share over the 10 trading days up to and including 14th October, 2003;

- a discount of approximately 69.0% to the average closing price of approximately HK$0.284 per Existing Share over the 20 trading days up to and including 14th October, 2003; and

- a discount of approximately 64.7% to the average closing price of approximately HK$0.249 per Existing Share over the 60 trading days up to and including 14th October, 2003.

Upon completion of the Subscription Agreement, Coppermine will be interested in 475,376,917 New Shares, representing approximately 78.3% of the issued share capital of the Company as enlarged by the issue of the Subscription Shares. The approximate equivalent number of the Existing Shares as represented by the Subscription Shares, being 4,753,769,170 will amount to approximately 360.2% of the existing issued share capital of the Company.

Conditions

Completion of the Subscription Agreement will be conditional upon, among other things, the following conditions being fulfilled:

(a) the Listing Committee of the Stock Exchange granting the listing of and permission to deal in the Subscription Shares to be issued to Coppermine under the Subscription Agreement (subject only to issue);

(b) the Executive granting the Whitewash Waiver waiving the obligation of Coppermine and parties acting in concert with it to make a general offer under Rule 26 of the Takeovers Code as a result of the Subscription;

(c) at the EGM to be convened, the passing of, among other things, an ordinary resolution by the Independent Shareholders by way of a poll to approve the Whitewash Waiver;

(d) the Executive consenting to the acquisitions of the CNMG Debt and the CNMF Debt and the Subscription in accordance with Rule 25 of the Takeovers Code, and the passing of an ordinary resolution by the Independent Shareholders at the EGM by way of a poll approving such transactions in the manner required under Rule 25 of the Takeovers Code;

(e) at EGM to be convened, the passing of (i) an ordinary resolution to approve the Share Consolidation; and (ii) a special resolution to approve the Capital Reduction and the immediate restoration of the authorised capital of the Company to HK$300,000,000 by the creation of an additional 5,700,000,000 New Shares, and confirmation of the Capital Reduction by the Court; and

(f) the Debt Purchase becoming unconditional in all respects (other than any condition requiring the Subscription Agreement having become unconditional or completed).

Completion

The Subscription Agreement will be completed on or before 15th February, 2004 after all the conditions precedent have been fulfilled.

Pursuant to the Subscription Agreement, the Company has agreed to undertake, among other things, that it would henceforth disclose in writing to Coppermine from time to time any event, fact or circumstance which might become known to it after the date of the Subscription Agreement and which would be materially inconsistent with any of the Warranties (as defined in the Subscription Agreement).

PROPOSED CAPITAL RESTRUCTURING

Under the Companies Ordinance, it is not permissible for the Company to issue shares at a discount to the nominal value of its shares without the consent of the Court. As the procedures involved are time consuming and expensive, the Capital Restructuring is proposed in order to provide flexibility for further issue of shares by the Company and to facilitate the Subscription.

As at the Latest Practicable Date, the authorised capital of the Company was HK$300,000,000 divided into 3,000,000,000 Existing Shares, of which 1,319,726,950 Existing Shares had been issued and were fully paid. The Capital Restructuring will involve:

(i) the Share Consolidation whereby every ten issued and unissued Existing Shares of HK$0.10 each in the capital of the Company will be consolidated into one Consolidated Share of HK$1.00;

(ii) the Capital Reduction whereby the nominal value of each issued and unissued Consolidated Share will be reduced from HK$1.00 to HK$0.05 and the paid-up capital of each issued Consolidated Share will be cancelled to the extent of HK$0.95;

(iii) the total credit arising from the Capital Reduction, to the extent permitted by the Court and subject to any conditions which the Court may impose, will be transferred to a special capital reserve account to be created for the purpose of setting off part of the Accumulated Losses upon the Share Premium Account Reduction becoming effective; and

(iv) the authorised capital of the Company immediately following the Share Consolidation and the Capital Reduction will be increased and restored to HK$300,000,000 by the creation of an additional 5,700,000,000 New Shares of HK$0.05 each.

Conditions of the Capital Reduction

The Capital Reduction will be conditional upon the following:

(i) the passing of an ordinary resolution by the Shareholders at the EGM to approve the Share Consolidation;

(ii) the passing of a special resolution by the Shareholders at the EGM to approve the Capital Reduction and the immediate creation of an additional 5,700,000,000 New Shares in order to restore the authorised capital of the Company to its original amount of HK$300,000,000;

(iii) the Listing Committee of the Stock Exchange granting approval for the listing of, and permission to deal in, the New Shares to be issued upon the Capital Reduction becoming effective; and

(iv) the confirmation of the Capital Reduction by the Court and the registration by the Registrar of Companies in Hong Kong of an office copy of the Court order and the minute containing the particulars as required by section 61 of the Companies Ordinance.

Effect of the Capital Restructuring

Immediately after the Capital Restructuring but prior to completion of the Subscription Agreement, the issued capital of the Company will be HK$6,598,634.75 consisting of 131,972,695 New Shares. On the basis of 1,319,726,950 Existing Shares in issue as at the Latest Practicable Date, a credit of HK$125,374,060.25 will arise as a result of the cancellation of the paid up capital to the extent of HK$0.95 on each of the Consolidated Shares pursuant to the Capital Reduction. Such credit, as mentioned above, will be transferred to a special capital reserve account for eliminating part of the Accumulated Losses in future.

According to its latest annual report, the Company sustained accumulated losses of approximately HK$1,271.6 million on an unconsolidated basis as at 31st December, 2002. It is intended that as soon as practicable after the Restructuring Proposal, the Board will put forward to the Shareholder the Share Premium Account Reduction for consideration and approval. As at the Latest Practicable Date, the share premium account of the Company stood at HK$800,030,000. The amount standing to the credit of the share premium account will be increased by approximately HK$394.6 million immediately following the payment in of the share premium arising from the issue of the Subscription Shares. It is expected that on the Share Premium Account Reduction becoming effective, the amount of the credit arising therefrom (to the extent as may be necessary for the purpose), together with the credit transferred to the special capital reserve account as a result of the Capital Reduction will be sufficient to eliminate the Accumulated Losses.

Fractional entitlements to the New Shares

As a result of the Capital Restructuring, some of the Shareholders may be entitled to a fraction of a New Share in respect of their holdings. As empowered by Article 53(a)(i) of the Articles of Association of the Company, it is proposed in the special resolution for the Capital Reduction to aggregate all fractional entitlements of New Shares and to sell the same for the benefit of the Company.

Implementation of the Capital Restructuring will not, of itself, alter the underlying assets, business operations, management or financial position of the Company or the Group or the rights of the Shareholders, except for payment of the related expenses. The proportionate interests and voting rights of the Shareholders in the Company will not be affected by the Capital Restructuring itself.

LISTING OF AND DEALINGS IN NEW SHARES

An application has been made to the Listing Committee for granting the listing of, and permission to deal in, the New Shares to be issued following the completion of the Capital Restructuring and any New Shares which may fall to be issued pursuant to the Subscription.

No part of the share capital of the Company is listed or dealt in on any other stock exchange and no such listing or permission to deal is being or is proposed to be sought.

Subject to the granting of the listing of, and permission to deal in, the New Shares on the Stock Exchange, the New Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the New Shares on the Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading date is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Subject to the Capital Restructuring becoming effective, dealings in the New Shares are expected to commence on 7th January, 2004 and it is proposed that arrangements for dealings in the New Shares will be as follows:

(i) from 9:30 a.m. on 7th January, 2004, the original counter for trading in the Existing Shares in board lots of 2,000 Existing Shares each will be closed. A temporary counter for trading in the New Shares in board lots of 200 New Shares each will be established and every ten Existing Shares will be deemed to represent one New Share. Only certificate(s) for the Existing Shares may be traded at this counter;

(ii) with effect from 9:30 a.m. on 21st January, 2004, the original counter will be re-opened for trading in the New Shares in board lots of 4,000 New Shares each. Only certificate(s) for the New Shares may be traded at this counter;

(iii) during the period from 9:30 a.m. on 21st January, 2004, to 4:00 p.m. on 13th February, 2004, both days inclusive, there will be parallel trading of the New Shares at the above counters; and

(iv) the temporary counter for trading in board lots of 200 New Shares each in the form of certificates for the Existing Shares will be removed after the close of business at 4:00 p.m. on 13th February, 2004 and thereafter, trading will be in board lots of 4,000 New Shares each in the form of the new certificates only and the certificates for the Existing Shares will cease to be effective for delivery, transfer and settlement purpose. However, such existing certificates will continue to be evidence of legal title to the New Shares on the basis of ten Existing Shares for one New Share.

FREE EXCHANGE OF SHARE CERTIFICATES

Subject to the Capital Restructuring becoming effective, the Shareholders are urged to submit their certificates for the Existing Shares in exchange for certificates for the New Shares free of charge to the Registrar during business hours from 9:00 a.m. on 7th January, 2004 until 4:00 p.m. on 18th February, 2004. Thereafter, old certificates for the Existing Shares will be accepted for exchange only on payment to the Registrar of a fee of HK$2.50 (or such higher amount as may be stipulated in the Listing Rules from time to time) for each new certificate issued in exchange for the old certificates. It is expected that certificates for the New Shares will be available for collection on or after the tenth business day from the date of the submission of the certificates for the Existing Shares to the Registrar. Unless otherwise instructed, new certificates will be issued in the board lots of 4,000 New Shares each. All certificates for the Existing Shares will, after 4:00 p.m. on 13th February, 2004, continue to be good evidence of legal title to the New Shares on the basis of ten Existing Shares for one New Share, but will cease to be valid for trading and settlement purposes.

In order to distinguish between the old and the new certificates, certificates for the New Shares will be in peach colour, which is different from the certificates for the Existing Shares, which are golden yellow in colour.

CHANGE IN BOARD LOT SIZE AND ODD LOT TRADING ARRANGEMENT

The Existing Shares are traded in board lots of 2,000 Existing Shares each. The New Shares will be traded in board lots of 4,000 New Shares each. The New Shares to be issued will rank pari passu in all respects with each other as to dividends, voting rights and return of capital.

The proposed change in board lot size will increase the number of the New Shares for each board lot and such increase is expected to result in a reduction of the transaction costs for dealings in the New Shares.

Arrangement for odd lot trading

In order to facilitate the trading of odd lots of the New Shares as a result of the Capital Restructuring, the Company has appointed BNP Paribas Peregrine Securities Limited of 36th Floor, Asia Pacific Finance Tower, 3 Garden Road, Central, Hong Kong (Telephone number: (852) 2825 1838) to act as agent in providing a "matching service" to those Shareholders who wish to top up or sell their holdings of odd lots of the New Shares during the period from 9:30 a.m. on 7th January, 2004 to 4:00 p.m. on 13th February, 2004, both dates inclusive. Holders of New Shares in odd lots who wish to take advantage of this facility either to dispose of or to top up their odd lots to a board lot may, directly or through their brokers, contact Mr. Hugo Leung of BNP Paribas Peregrine Securities Limited during such period.

The Shareholders should note that successful matching of the sale and purchase of odd lots of the New Shares is not guaranteed and will depend on there being adequate amounts of odd lots of the New Shares available for such matching. The Shareholders are recommended to consult their professional advisers if they are in any doubt about the matching facility described above.

SHAREHOLDING STRUCTURE

Set out below is a table showing the existing shareholding structure and the shareholding structure upon completion of the Restructuring Proposal.

Shareholders	**Existing shareholding structure before completion of the Capital Restructuring, the Subscription and the Debt Purchase**		**Shareholding structure after Capital Restructuring becoming effective but before completion of the Subscription and the Debt Purchase**		**Shareholding structure upon completion of the Restructuring Proposal**	
	Number of Existing Shares	%	Number of New Shares	%	Number of New Shares	%
Coppermine	–	–	–	–	475,376,917	78.3
CNMG *(Note)*	596,044,203	45.2	59,604,420	45.2	59,604,420	9.8
Public shareholders	723,682,747	54.8	72,368,275	54.8	72,368,275	11.9
	1,319,726,950	100.0	131,972,695	100.0	607,349,612	100.0

Note: As confirmed by Asian Capital (Corporate Finance) Limited, the financial adviser to the liquidators of CNMG, CNMG holds 596,044,203 Existing Shares in the Company and the liquidators are not aware of there being any Associates or concert parties of CNMG which holds any Existing Shares.

As at the Latest Practicable Date, the Company had no outstanding options, warrants, derivatives or other securities that are convertible into the Existing Shares.

TAKEOVERS CODE IMPLICATIONS

Whitewash Waiver Application

Upon completion of the Subscription Agreement, Coppermine will be interested in 475,376,917 New Shares, representing approximately 78.3% of the issued share capital of the Company as enlarged by the issue of the New Shares under the Subscription. Under Rule 26 of the Takeovers Code, in the absence of the Whitewash Waiver and upon completion of the Subscription Agreement, Coppermine and parties acting in concert with it would be obliged to make a mandatory general offer to acquire all the New Shares in issue other than those already owned or agreed to be acquired by Coppermine and parties acting in concert with it.

An application has been made by Coppermine to the Executive for the Whitewash Waiver. The Executive has indicated that the Whitewash Waiver will be granted subject to the approval of the Independent Shareholders on a vote to be taken by way of a poll. The EGM will be held to enable the Independent Shareholders to consider and approve, among other things, the Whitewash Waiver. Completion of the Subscription Agreement is conditional upon, among other things, the granting of the Whitewash Waiver by the Executive. If the Whitewash Waiver is not obtained or approved by the Independent Shareholders on or before 15th February, 2004, the Subscription Agreement and the Restructuring Proposal will lapse. As such, no general offer will be made to the Shareholders.

The aggregate shareholding of Coppermine and its concert parties after completion of the Restructuring Proposal will exceed 50% of the issued share capital of the Company as enlarged by the issue of the Subscription Shares pursuant to the Subscription. Accordingly, if the Whitewash Waiver is approved by the Independent Shareholders, Coppermine and parties acting in concert with it can acquire further New Shares without incurring any further obligation under Rule 26 of the Takeovers Code to make a general offer.

Other than pursuant to the Subscription, neither Coppermine nor parties acting in concert with it was interested in any Existing Shares, options, warrants, derivatives or securities convertible into the shares of the Company as at the Latest Practicable Date, nor had they dealt in the Existing Shares during the six-month period prior to 16th October, 2003, being the date of the Announcement. Coppermine has stated that they would not deal in the Existing Shares until after the EGM.

Special Deal Consent

As at the Latest Practicable Date, CNMG, being the controlling shareholder of the Company, held 596,044,203 Existing Shares, representing approximately 45.2% of the existing issued capital of the Company. Furthermore, CNMF is a wholly owned subsidiary of CNMG. The purchase of the CNMG Debt and the CNMF Debt by Coppermine and the application by Coppermine of the aggregate of the amounts of such debts so purchased as part of the consideration for the Subscription will constitute a special deal under Rule 25 of the Takeovers Code and hence will require the consent from the Executive.

An application has been made by the Company to the Executive for the Special Deal Consent. The Executive has indicated that the Special Deal Consent would be granted subject to Somerley stating in its opinion that the terms of the Special Deal are fair and reasonable so far as the Independent Shareholders are concerned and the approval of the Independent Shareholders on a vote to be taken by way of a poll. The EGM will be held to enable the Independent Shareholders to consider and approve, among other things, the Special Deal. Completion of the Subscription Agreement is conditional upon, among other things, the granting of the Special Deal Consent and the approval of the transactions contemplated thereunder by the Independent Shareholders on or before 15th February, 2004 (or such later date as may be agreed between Coppermine and the Company). If the Special Deal Consent is not obtained or the Special Deal is not approved by the Independent Shareholders, the agreements relating to the Debt Purchase, the Subscription and the Restructuring Proposal will lapse.

INFORMATION ON THE GROUP

Business

The Company is incorporated in Hong Kong with limited liability and its Existing Shares have been listed on the Stock Exchange since 1994. The Company is an investment holding company. Its subsidiaries and associates are principally engaged in the trading of nonferrous metals, processing of aluminum and copper products and investments relating to nonferrous metals.

Financial information

The following table sets out a summary of the audited consolidated results of the Group for each of the three years ended 31st December, 2002 and the unaudited consolidated results of the Group for the six months ended 30th June, 2003:

	For the year ended 31st December,			For the six months ended 30th June,
	2000	**2001**	**2002**	**2003**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Turnover	1,442,523	1,234,277	875,676	643,927
Profit/(loss) for the year/period	(165,131)	(863,008)	19,676	27,763

As at 31st December, 2000, the Group had an audited net tangible assets of approximately HK$503 million. As at 31st December, 2001 and 2002, the Group had an audited net deficit of approximately HK$363 million and HK$351 million respectively. As at 30th June, 2003, the Group had an unaudited net deficit of approximately HK$323 million.

INFORMATION ON COPPERMINE AND ITS PARENT GROUP

Coppermine is a private company wholly owned by Minmetals HK, which is in turn a wholly owned subsidiary of China Minmetals. The board of directors of Coppermine comprises Mr. Lin Xizhong, Mr. Liang Qing and Mr. Qian Wenchao. Minmetals HK has over 20 years of experience in the trading of metals, property development and financial investment businesses. The board of directors of Minmetals HK comprises five members, two of whom, namely Mr. Lin Xizhong and Mr. Qian Wenchao are proposed to be nominated as new directors of the Company.

China Minmetals is a large conglomerate with a history of more than 50 years and is one of the major importers and exporters of steels, nonferrous metals and mineral products in the PRC. China Minmetals has a worldwide sales network, and has interests in about 160 solely or jointly funded ventures in the PRC and in about 40 entities overseas. China Minmetals has a wide spectrum of investments in the PRC. The shares of one of its subsidiaries, Minmetals Development Co., Ltd., were listed on the Shanghai Stock Exchange in the PRC in 1997 and had a market capitalisation amounting to approximately RMB6.03 billion (approximately HK$5.69 billion) as at 14th October, 2003. Furthermore, China Minmetals has interests in companies whose shares are listed in the PRC including, Jiangxi Copper Company Limited[#], Xiamen Tungsten Co. Ltd., Ningbo United Group Co., Ltd., and Shenzhen SDG Information Co., Ltd. For the year ended 31st December, 2002, the total revenue of China Minmetals amounted to about US$6.8 billion (equivalent to approximately HK$53 billion).

\# *Jiangxi Copper Company Limited's H shares are listed on the main board of the Stock Exchange.*

The business lines of China Minmetals include:

Core business lines

- trading of iron and steel, and metal products;
- trading of non-ferrous metals (including copper, aluminum, tungsten, antimony, rare earth); and
- trading of mineral products and building materials (such as coke, coal, iron ores and refractory).

Non-core business lines

- insurance;
- securities and futures; and
- property development and construction subcontracting.

Minmetals HK is an independent third party and is not connected with any of the chief executive, directors or substantial shareholders of the Company or any of its subsidiaries or any of their respective Associates.

INTENTION OF MINMETALS HK ON THE GROUP

Business

Following completion of the Restructuring Proposal, through the Company's new management team, Minmetals HK will firstly rationalise, improve and strengthen the financial position and operations of the Group, especially the continuation of the development of its nonferrous metals trading and processing businesses. Minmetals HK will then formulate a long term development strategy for the Group and will implement appropriate measures, if necessary, to further strengthen the Group's operations. As China Minmetals is one of China's leading metals and minerals trading companies with a worldwide sales network and is also engaged in the trading and investment of nonferrous metals related business, the Group may compete against China Minmetals in the same industry, in particular the trading of alumina. In 2002, a subsidiary of China Minmetals engaged in the trading of alumina and recorded a turnover of approximately RMB1,317 million (approximately HK$1,242 million). The trading of non-ferrous metals business of the Group amounted to approximately HK$116.7 million, which accounted for approximately 18% of the turnover of the Group for the six months ended 30th June, 2003. The Group did not have any turnover from the trading of non-ferrous metals for the year ended 31st December, 2002. In 2002, the Group's turnover was mainly derived from its aluminum refinery, copper refinery and smelters businesses which will be continued following completion of the Restructuring Proposal. Upon completion of the Restructuring Proposal, China Minmetals and Minmetals HK intend to analyse further the Group's nonferrous metals trading business in order to rationalise their competing businesses. Currently, Minmetals HK has no plans to inject any of its existing assets or businesses into the Group or to redeploy the fixed assets and make any significant changes to the existing businesses of the Group.

Directors of the Company

It is the intention of Minmetals HK to nominate four additional executive Directors (namely Mr. Lin Xizhong, Mr. Qian Wenchao, Mr. Shen Chenyang and Mr. Tang Xiaojin) to the Board. At present, none of them has any directorship or shareholding interest in any businesses which is considered to be in competition with those of the Group. It is the intention of Minmetals HK that other than one of the executive Directors, Mr. Xu Huizhong, and the two independent non-executive Directors, Mr. Chan Wai Dune and Mr. Ting Leung Huel, Stephen, all other existing Directors will resign upon completion of the Restructuring Proposal. As such, the Board will comprise seven Directors, including two independent non-executive Directors and five executive Directors of which two of them are also directors of Minmetals HK, and there will be sufficient management presence in Hong Kong as required under the Listing Rules. Any appointment of Directors will be made in compliance with the Takeovers Code and the Listing Rules. Minmetals HK has no intention to make any significant changes to the existing management or the employees of the Group other than a change of Directors as mentioned above. The businesses of the Group will be carried out independently of Minmetals HK.

Particulars of Mr. Lin Xizhong, Mr. Qian Wenchao, Mr. Shen Chenyang and Mr. Tang Xiaojin are set out below:

Mr. Lin Xizhong, aged 58, is the Vice Chairman and Managing Director of Minmetals HK. He is currently the Vice President of China Minmetals, and Chairman of AXA-Minmetals Assurance Ltd in Shanghai. He earned his Bachelor of Arts degree in Literature from the Beijing Foreign Studies University in the PRC in 1973. From 1995 to 1998, he was China's representative in the APEC Business Advisory Council (ABAC) of Asia-Pacific Economic Cooperation Organisation. He was the Vice Chairman of First Pacific Bank during 1993 to 2000. Mr. Lin has over 30 years of experience in international trading, strategic investment and financial corporate management.

Mr. Qian Wenchao, aged 38, is a director of Minmetals HK. He earned his Bachelor of Arts degree in Economics from Beijing Technology and Business University and completed his graduate study in accounting in the same university in 1987 and 1989 respectively. He joined China Minmetals in 1989 and has worked in the Overseas Enterprises Division of China Minmetals and Minmetals HK with responsibilities in financial management. Mr. Qian has over 10 years of experience in financial corporate management.

Mr. Shen Chenyang, aged 37, is Deputy Managing Director of China Minmetals NZ Limited. He earned his Bachelor of Arts degree in Economics from the University of International Business & Economics in the PRC. He joined China Minmetals in 1988 and has worked as Deputy Department Manager in Minmetals Trading Co. Ltd., Department Manager and General Manager Assistant in Minmetals International Non-ferrous Metals Trading Company. Mr. Shen has more than 10 years of experience in minerals and nonferrous metals industry.

Mr. Tang Xiaojin, aged 41, is the Vice President of the Company and the General Manager of OrienMet Industry Company Limited. He joined the Group in 1995. Mr. Tang graduated from the Faculty of Mechanical Engineering of the Southern Institute of Metallurgy, the then Jiangxi Institute of Metallurgy in the PRC, in 1983 with a bachelor degree in engineering. He joined Beijing General Research Institute for Mining and Metallurgy in 1983 engaging in metallurgical research and design. In 1989, Mr. Tang joined the Personnel Department of the then China National Nonferrous Metals Industry Corporation. Mr. Tang has over 20 years of experience in nonferrous metals industry.

CONNECTED TRANSACTIONS

Prior to the signing of the various agreements relating to the Restructuring Proposal, the Company has entered into the Framework Agreement on 21st January, 2003 with China Minmetals Nonferrous Metals Company Limited for the sale of an aggregate of 180,000 metric tonnes of alumina (+/- 5%) by the Company to China Minmetals Nonferrous Metals

Company Limited, a subsidiary of China Minmetals, during the year of 2003. Pursuant to the Framework Agreement, the following contracts have been signed:

(a) a contract dated 27th February, 2003 for the sale of approximately 30,000 metric tonnes of alumina by the Company to China Minmetals Nonferrous Metals Company Limited for an amount of US$6,750,000 (equivalent to approximately HK$52,650,000);

(b) a contract dated 14th May, 2003 for the sale of approximately 30,000 metric tonnes of alumina by the Company to Minmetals North-Europe AB, a wholly owned subsidiary of China Minmetals, for an amount of US$8,550,000 (equivalent to approximately HK$66,690,000);

(c) a contract dated 17th July, 2003 for the sale of approximately 30,000 metric tonnes of alumina by the Company to Minmetals Germany GMBH, a wholly owned subsidiary of China Minmetals, for an amount of US$8,430,000 (equivalent to approximately HK$65,754,000);

(d) a contract dated 10th September, 2003 for the sale of approximately 25,000 metric tones of alumina by the Company to Minmetals Inc. U.S.A., a wholly owned subsidiary of China Minmetals, for an amount of US$6,975,000 (equivalent to approximately HK$54,405,000); and

(e) a contract dated 24th September, 2003 for the sale of approximately 25,000 metric tonnes of alumina by the Company to China Minmetals Nonferrous Metals Company Limited, a subsidiary of China Minmetals, for an amount of US$7,200,000 (equivalent to approximately HK$56,160,000).

As at the Latest Practicable Date, approximately 140,000 metric tonnes of alumina had been sold and 114,750 metric tonnes of alumina had been delivered by the Company pursuant to the Framework Agreement and the above-mentioned contracts. Of the five contracts stated above, contracts (a) to (c) were completed as at the Latest Practicable Date and the Directors estimate that gross profit amounting to approximately HK$60 million will be recognised in the Group's accounts for the year ending 31st December, 2003 as a result of completion of these three contracts.

Contracts (a) and (b) were completed and the amounts involved were recognised in the Group's unaudited accounts for the six months ended 30th June, 2003 in accordance with the Group's accounting policy, which was published in the Group's interim report 2003. Contract (c) was completed and the relevant amounts were recognised in the Group's management accounts of August 2003 in accordance with Group's accounting policy. Contracts (d) and (e) have not been completed and the Group accordingly has not booked any amount relating thereto in its management accounts.

As Coppermine will become a substantial Shareholder of the Company following the completion of the Restructuring Proposal, if any transaction under the Framework Agreement continues after the completion of the Restructuring Proposal, such transaction will constitute connected transaction of the Company and the Company will take appropriate steps in respect of such transaction (if any) in compliance with the Listing Rules. Further announcement will be made as and when appropriate.

REASONS FOR THE RESTRUCTURING PROPOSAL

The Group has been operating at a loss for each of the five years ended 31st December, 2001. For the year ended 31st December, 2002, the Group made a profit of approximately HK$20 million. For the six months ended 30th June, 2003, the Group made a profit of approximately HK$28 million. Nevertheless, as at 30th June, 2003, the consolidated net deficit and the net current liabilities of the Group amounted to approximately HK$323 million and approximately HK$525 million respectively. The consolidated total assets of the Group of approximately HK$1,133 million mainly comprised fixed assets of approximately HK$308 million, construction in progress of approximately HK$163 million, inventories of approximately HK$151 million, trade receivables of approximately HK$343 million, and cash and bank deposits of approximately HK$93 million. On the other hand, the consolidated total liabilities of the Group amounted to approximately HK$1,296 million, of which total bank loans amounted to approximately HK$841 million and approximately HK$689 million was due within one year or on demand.

The Group defaulted on repayment of bank loans of approximately HK$340 million and HK$422 million in 1998 and 1999 respectively. The default on repayment of bank loans owed by the Group was approximately HK$387 million as at 30th June, 2003, of which approximately HK$378 million was owed by the Company to the Banks as at that date and the remaining balance (being accrued interests and other loans) of HK$9 million was owed to PRC banks. In July 2002, a steering committee was formed by the Banks to seek recovery of such amount. The lending banks of the Syndicated Loan issued a writ of summons against the Company for the repayment of approximately US$14 million (equivalent to approximately HK$109.2 million) and the case was ruled in their favour by the Court in January 2003. Apart from the liabilities under the Debt Purchase, certain PRC subsidiaries of the Company had outstanding loans owing to financial institutions as at 30th June, 2003, in the amount of approximately RMB491 million (equivalent to approximately HK$463 million), of which HK$9 million was overdue as at that date.

As the financial position of the Group was still in substantial net deficit, there is doubt as to the Group's ability to continue as a going concern. In the Company's annual report for the year ended 31st December, 2002, the Company's auditors stated that they were unable to form an opinion as to whether the Company's accounts gave a true and fair view of the state of affairs of the Company and of the Group as at 31st December, 2002 and of the profit and cash flows of the Group for the year then ended because of the fundamental uncertainty relating to the Company's and the Group's ability to continue as a going concern.

In view of the above, the Board considers that restructuring of the Group's financial structure and shareholding structure is essential to enhance the Group's ability to operate as a going concern. The Restructuring Proposal would enable the Group to (i) reduce its level of indebtedness by approximately HK$458 million according to the Company's record as at 30th June, 2003; (ii) strengthen its financial position with a net asset value of approximately HK$135 million as compared to a net deficit of approximately HK$323 million as at 30th June, 2003; and (iii) benefit from having Coppermine, as opposed to CNMG which is a company in liquidation, as its controlling shareholder.

The Board considers that the terms of the Restructuring Proposal are fair and reasonable and in the interests of the Company and Shareholders taken as a whole. In the circumstances, the Board has decided to put forward the Restructuring Proposal to the Shareholders for their consideration.

MAINTAINING THE LISTING OF THE COMPANY

It is the intention of Coppermine and the Directors (excluding Messrs. Gao Dezhu, Lau Yat Ching, Wang Xingdong and Deng Weihua who will resign upon completion of the Restructuring Proposal but including the new Directors to be appointed to the Board upon the completion of the Restructuring Proposal) to maintain the listing of the Company on the Stock Exchange. Upon completion of the Restructuring Proposal, less than 25% of the issued New Shares will be held by the public. Coppermine and the Directors (excluding the Directors who will resign but including the new Directors to be appointed to the Board upon the completion of the Restructuring Proposal) have jointly and severally undertaken to the Stock Exchange that appropriate steps will be taken to ensure that sufficient public float as required under the Listing Rules will be restored as soon as practicable following completion of the Restructuring Proposal. Depending on the market conditions, such steps may involve placement of some of the New Shares. Further announcement will be made as and when appropriate.

The Stock Exchange has stated that it would closely monitor the dealing in the Shares on the Stock Exchange. The Stock Exchange has also stated that, if less than 25% of the issued New Shares were in public hands following completion of the Subscription or if the Stock Exchange believed that a false market existed or might exist in the trading of the New Shares or that there were insufficient New Shares in public hands to maintain an orderly market, it would consider exercising its discretion to suspend dealings in the New Shares.

The Stock Exchange has also stated that if the Company remained as a listed company, the Stock Exchange would closely monitor all future acquisitions or disposals of assets by the Company. Any acquisitions or disposals of assets by the Company will be subject to the provisions of the Listing Rules. Pursuant to the Listing Rules, the Stock Exchange has the discretion to require the Company to issue an announcement or a circular or both to the Shareholders irrespective of the size of any proposed transaction, particularly when such proposed transaction represents a departure from the principal activities of the Company. The Stock Exchange also has the power pursuant to the Listing Rules to aggregate a series of acquisitions and disposals of assets by the Company and any such acquisitions and disposals may result in the Company being treated as if it were a new listing applicant and subject to the requirements of new listing applications as set out in the Listing Rules.

Shareholders should note that the Restructuring Proposal is conditional and the despatch of this circular does not in any way imply that the Restructuring Proposal will be implemented and completed. Shareholders should exercise caution when dealing in the shares of the Company.

ADDITIONAL INFORMATION

ONFEM Transaction

On 15th October, 2003, June Glory International Limited, a wholly owned subsidiary of Minmetals HK, entered into an unconditional sale and purchase agreement with CNMG in relation to the acquisition of the controlling interest in ONFEM and the making of an offer to all shareholders of ONFEM, particulars of which are set out in the announcement of ONFEM dated 16th October, 2003.

OS/OP Transaction

On 15th October, 2003, China Expand Development Limited, a wholly owned subsidiary of Minmetals HK, entered into an agreement with CNMG for the assignment of debt owed by each of Oriental Shipping and Transportation Company Limited and Orienmet Properties Company Limited. Pursuant to the agreement, the consideration for the OS/OP Transaction will be provided by Premiere Asia Holdings Limited (another subsidiary of Minmetals HK) which has proven as a creditor in CNMG's liquidation, agreeing to reduce its claim in CNMG's liquidation in the same amount as the consideration on a "dollar-to-dollar" basis, such that any entitlement that subsidiary may have to receive a dividend in CNMG's liquidation will be calculated by reference to the amount of its reduced claim. The debt owing by each of Oriental Shipping and Transportation Company Limited and Orienmet Properties Company Limited to CNMG as at 3rd September, 2003 was approximately HK$95.3 million and HK$29.6 million respectively (approximately HK$124.9 million in aggregate).

Based on the information available to Minmetals HK, such debt was originally owed by Oriental Shipping and Transportation Company Limited and Orienmet Properties Company Limited to the Company but such debt was assigned absolutely by the Company to CNMG pursuant to two agreements both dated 31st October, 1998 in payment of an amount due and payable by the Company to CNMG. Such debt is now a separate debt and no longer concerns the Company. The State Nonferrous Metals Industry Administration, which was dissolved under the promulgation of the State Economics and Trade Commission of the PRC on 19th February, 2001, was, prior to its dissolution, the ultimate controlling shareholder of CNMG and the holding company of both Oriental Shipping and Transportation Company Limited and Orienmet Properties Company Limited. Mr. Lau Yat Ching, a Director, is also a director of Oriental Shipping and Transportation Company Limited and Orienmet Properties Company Limited. Save as disclosed above, neither Oriental Shipping and Transportation Company Limited nor Orienmet Properties Company Limited is connected to any of the chief executive or directors of the Company, CNMG, their respective subsidiaries and Associates.

Minmetals HK and the liquidators of CNMG have entered into the OS/OP Transaction based on commercial considerations separate from the sale and purchase of the CNMG Debt and the CNMF Debt. The completion of the OS/OP Transaction is not conditional on the Debt Purchase and the negotiations of the OS/OP Transaction have been carried out by Minmetals HK separately and independently of the negotiations concerning the Debt Purchase and the Subscription.

Neither the ONFEM Transaction nor the OS/OP Transaction is dependent on, or in connected with, the Debt Purchase or the Subscription. The negotiations for each of the ONFEM Transaction, the OS/OP Transaction, the Debt Purchase and the Subscription have been conducted separately and independently of each other.

GENERAL MANDATES TO ISSUE AND REPURCHASE NEW SHARES

At the annual general meeting of the Company held on 30th May, 2003, general mandates to issue and repurchase the securities of the Company were granted to the Directors (the "Existing Mandates").

At the EGM, ordinary resolutions will be proposed to grant to the Directors general mandates, in substitution for the Existing Mandates and any prior approvals of the kind referred to in ordinary resolutions numbered 5, 6 and 7 as set out in the notice of the EGM, to:

(a) allot, issue or otherwise deal with shares or convertible securities up to a maximum of 20% of the aggregate nominal amount of the issued share capital of the Company as enlarged by the issue of the Subscription Shares;

(b) repurchase, on the Stock Exchange, shares up to a maximum of 10% of the aggregate nominal amount of the issued share capital of the Company as enlarged by the issue of the Subscription Shares; and

(c) add to the general mandate given to the Directors under sub-paragraph (a) above any shares repurchased pursuant to the general mandate under sub-paragraph (b) above (up to 10% of the aggregate nominal amount of the share capital of the Company in issue as enlarged by the issue of the Subscription Shares).

The explanatory statement required by the Listing Rules to be sent to the Shareholders in connection with the proposed general mandate to repurchase securities is set out in Appendix III to this circular. The explanatory statement contains all the information reasonably necessary to enable the Shareholders to make an informed decision on whether to vote for or against the relevant resolution at the EGM.

The Directors believe that the general mandates for the Directors to repurchase shares and to issue new shares are in the best interests of the Company as well as the Shareholders. Accordingly, the Directors recommend that all Shareholders should vote in favour of the Repurchase Resolution and the resolutions granting the general mandate to issue new shares.

GENERAL

The Independent Board Committee comprising Mr. Chan Wai Dune and Mr. Ting Leung Huel, Stephen, being the independent non-executive Directors, has been appointed to consider the Subscription, the Whitewash Waiver and the Special Deal. Somerley has been appointed to advise the Independent Board Committee regarding the Subscription, the Whitewash Waiver and the Special Deal.

EGM

The notice for the EGM is set out on pages 114 to 119 of this circular. The EGM will be held at 11:00 a.m. on 3rd December, 2003 at Shek O Room, Lower Level I, Kowloon Shangri-La Hotel, 64 Mody Road, Tsimshatsui East, Kowloon, Hong Kong.

RECOMMENDATION

The Independent Board Committee, having considered the terms of the Subscription and the transactions contemplated thereunder, the Whitewash Waiver and the Special Deal and having taken into account the opinion of Somerley on the Subscription and the transactions contemplated thereunder, the Whitewash Waiver and the Special Deal, in particular the factors and reasons considered by Somerley in arriving at its advice thereon as set out in the letter of advice from Somerley on pages 33 to 50 of this circular, considers that the terms of the Subscription and the transactions contemplated thereunder, the Whitewash Waiver and the Special Deal taken as a whole are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the resolutions to approve and give effect to the Subscription and the transactions contemplated thereunder, the Whitewash Waiver and the Special Deal at the EGM. The letter from the Independent Board Committee is set out on pages 31 and 32 of this circular.

FURTHER INFORMATION

You are urged to read carefully the letter from the Independent Board Committee and letter of advice from Somerley as set out on pages 31 and 32 and pages 33 to 50 of this circular respectively, additional information as set out in the appendices to this circular and the notice of the EGM as set out on pages 114 to 119 of this circular.

Yours faithfully,
For and on behalf of the Board
Xu Huizhong
Director and President

ORIENTAL METALS (HOLDINGS) COMPANY LIMITED
東方鑫源(集團)有限公司

(Incorporated in Hong Kong with limited liability)

6th November, 2003

To the Independent Shareholders

Dear Sir or Madam,

Restructuring Proposal (involving the Debt Purchase, the Subscription and the Capital Restructuring), application for the Whitewash Waiver and the Special Deal Consent

We have been appointed as the Independent Board Committee to advise you in connection with the Subscription and the transactions contemplated thereunder, the Whitewash Waiver and the Special Deal, details of which are set out in the letter from the Board contained in the circular to the shareholders of the Company dated 6th November, 2003 (the "**Circular**"), of which this letter forms part. Terms defined in the Circular shall have the same meanings when used herein unless the context otherwise requires.

Somerley has been appointed as the independent financial adviser to consider and advise the Independent Board Committee on the Subscription and the transactions contemplated thereunder, the Whitewash Waiver and the Special Deal.

Having considered the terms of the Subscription and the transactions contemplated thereunder, the Whitewash Waiver and the Special Deal, and the principal factors and reasons considered by Somerley in arriving at its advice thereon as set out on pages 33 to 50 of the Circular, we are of the opinion that the terms of the Subscription and the transactions contemplated thereunder, the Whitewash Waiver and the Special Deal are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Independent Shareholders. We therefore recommend that you vote in favour of the ordinary resolutions to be proposed at the EGM to approve the Subscription and the transactions contemplated thereunder, the Whitewash Waiver and the Special Deal.

Your attention is drawn to the letter from the Board and the letter of advice from Somerley set out in the Circular.

Yours faithfully,
Independent Board Committee
Chan Wai Dune **Ting Leung Huel, Stephen**
Independent non-executive directors of
Oriental Metals (Holdings) Company Limited

The following is the text of a letter of advice from Somerley, the independent financial adviser to the Independent Board Committee, which has been prepared for the purpose of incorporation into this document, setting out its advice to the Independent Board Committee in connection with the Restructuring Proposal.

Somerley Limited
Suite 3108, One Exchange Square
8 Connaught Place
Central
Hong Kong

6th November, 2003

The Independent Board Committee
Oriental Metals (Holdings) Company Limited
18/F, China Minmetals Tower
79 Chatham Road South
Tsimshatsui
Kowloon
Hong Kong

Dear Sirs,

RESTRUCTURING PROPOSAL INVOLVING THE DEBT PURCHASE, SUBSCRIPTION AND CAPITAL RESTRUCTURING, APPLICATION FOR THE WHITEWASH WAIVER AND THE SPECIAL DEAL CONSENT

We refer to our engagement to advise the Independent Board Committee in connection with the purchase by Coppermine of the CNMG Debt, the CNMF Debt and the Bank Debts, the Subscription (which together with the purchase of the CNMG Debt and the CNMF Debt constitute the Special Deal) and the Whitewash Waiver. These transactions are elements of the Restructuring Proposal put forward by the Company to the Shareholders. Details of the Restructuring Proposal are contained in the circular to the Shareholders dated 6th November, 2003 (the "Circular"), of which this letter forms part. Unless the context otherwise requires, capitalised terms used in this letter shall have the same meanings as those defined in the Circular.

On 17th October, 2003, the Company, Minmetals HK and Coppermine, a wholly-owned subsidiary of Minmetals HK, jointly announced that agreements for the Subscription and the Debt Purchase were entered into on 15th October, 2003 in respect of the subscription of 475,376,917 Subscription Shares and the purchase by Coppermine of the debts owing by the Group to CNMG, CNMF and the Banks respectively. The Announcement also included details of the proposal for Capital Restructuring put forward by the Company to facilitate the Subscription and of the applications for the Special Deal Consent and the Whitewash Waiver.

The Board currently consists of five executive Directors and two independent non-executive Directors. Of the executive Directors, Mr. Xu Huizhong, Mr. Wang Xingdong and Mr. Deng Weihua are also employees of China Minmetals. Both Mr. Gao Dezhu and Mr. Lau Yat Ching hold directorship in CNMG which is currently in liquidation. Consequently, all the executive Directors are considered not independent in the context of the Restructuring Proposal. The remaining Directors, Mr. Chan Wai Dune and Mr. Ting Leung Huel, Stephen who are independent non-executive Directors, have been appointed as the Independent Board Committee to give a recommendation to the Independent Shareholders as regards the Subscription and the transactions contemplated thereunder, the Whitewash Waiver and the Special Deal. We have been appointed to advise the Independent Board Committee on the fairness and reasonableness of the terms of the Subscription Agreement and the transactions contemplated thereunder, the Whitewash Waiver and the Special Deal so far as the Independent Shareholders are concerned.

In formulating our opinion, we have relied on the information and facts supplied, and the opinions expressed, by the Directors. We have reviewed, among other things, the financial position and performance of the Group based on its audited consolidated financial statements for the two years ended 31st December, 2002 and the unaudited condensed consolidated financial statements for the six months ended 30th June, 2003, the indebtedness position of the Group as at 30th September, 2003, the pro forma net tangible assets of the Group upon completion of the Restructuring Proposal, and the agreements relating to the Restructuring Proposal. We have assumed that all representations made to us are true, accurate and complete and that the information contained in the Circular is fair and accurate and we have relied on them accordingly. We have also assumed that all representations contained or referred to in the Circular were true at the time they were made and at the date of the Circular and will continue to be true at the date of the EGM.

We have also sought and received confirmation from the Directors that no material facts have been omitted from the information supplied and opinions expressed by them. We consider that we have reviewed sufficient information to enable us to reach an informed view and to provide a reasonable basis for our recommendation. We have no reason to question the accuracy of the information provided to us or to believe that any material facts have been omitted or withheld. We have not, however, conducted any independent investigation into the business and affairs of the Group or into its prospects.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our recommendation, we have taken into consideration the following principal factors and reasons:

1. Background to and reasons for the Restructuring Proposal

The Board considers that restructuring of the Group's financial and shareholding structure is essential to enhance the Group's ability to operate as a going concern. The Board's opinion is based on the following factors:

- the Group recorded losses for each of the five financial years ended 31st December, 2001. For the year ended 31st December, 2002 and the six months ended 30th June, 2003, the Group recorded profits of approximately HK$20 million and HK$28 million respectively;

- the Group had audited consolidated net deficits of approximately HK$351 million and net current liabilities of approximately HK$478 million as at 31st December, 2002 and unaudited consolidated net deficits of approximately HK$323 million and net current liabilities of approximately HK$525 million as at 30th June, 2003;

- the Group had total outstanding bank loans owed to financial institutions in Hong Kong and the PRC of approximately HK$808 million as at 31st December, 2002, of which HK$389 million were in default. As at 30th June, 2003, total outstanding bank loans amounted to HK$841 million, of which HK$387 million were in default;

- a steering committee of the Banks has been formed to seek recovery of the bank loans and judgment in respect of a bank loan of US$14 million (equivalent to approximately HK$109 million) was obtained in January 2003;

- the Company had amounts due to CNMG and CNMF of approximately HK$4 million and HK$40 million as at 30th June, 2003 respectively. Both CNMG and CNMF are currently in liquidation; and

- the auditors' report dated 17th April, 2003 contains a heavy qualification of the Group's 2002 accounts.

In light of these difficulties, we concur with the Directors' view that the financial position of the Group requires substantial remedial action to be taken.

2. Present financial position of the Group

(a) Net deficit in shareholders' funds and qualification of accounts

The audited consolidated balance sheet of the Group as at 31st December, 2002 is set out in Appendix I to the Circular. At that date, the Group had a deficiency in shareholders' funds of HK$351 million, equivalent to approximately HK$0.27 per Existing Share. This is approximately the same as the position as at 31st December, 2001, when the deficit was HK$363 million. For the six months ended 30th June, 2003, the Group recorded an unaudited net profit of approximately HK$28 million. Consequently, the deficiency in shareholders' funds as at 30th June, 2003 was reduced to HK$323 million, equivalent to approximately HK$0.24 per Existing Share.

Shareholders' attention is also drawn to the report of the auditors of the Group dated 17th April, 2003 in respect of the Group's financial statements for the year ended 31st December, 2002. The financial statements have been prepared on a going concern basis, the validity of which depends upon future funding being available and the success of the Group's future operations. The auditors considered there was fundamental uncertainty as regards the basis and have disclaimed any opinion in respect of the appropriateness of adopting the going concern basis for the preparation of the accounts. As a result, the auditors have stated that they are unable to form an opinion as to whether the accounts give a true and fair view of the state of affairs of the Company.

(b) Defaults on banking facilities

As at 31st December, 2001, the Group has defaulted on repayment of bank loans of approximately HK$399 million. In July 2002, a steering committee has been formed by the Banks to seek recovery of such amount. Lenders of the Syndicated Loan have issued writs of summons against the Company for the repayment of a loan of approximately US$14 million (equivalent to approximately HK$109 million). Judgment was given in their favour by the Court in January 2003. As at 30th June, 2003, the loans in default amounted to approximately HK$387 million, which were made up of HK$378 million owed by the Company to the Banks and accrued interests, and other bank loans of HK$9 million owed by the Group to certain PRC banks. No further action is being taken by the Banks pending the Debt Purchase and the Subscription, but if these fail, the Banks may pursue their remedies under the judgment.

Shareholders should note that apart from the liabilities under the Debt Purchase, certain subsidiaries of the Company had outstanding loans owing to financial institutions in the PRC as at 31st December, 2002 in the amount of approximately RMB456 million (equivalent to approximately HK$430 million), of which approximately RMB12 million (equivalent to approximately HK$12 million) are also in default. As at 30th June, 2003, such loans amounted to approximately RMB491 million (equivalent to approximately HK$463 million), of which HK$9 million was overdue. Under the Restructuring Proposal, such liabilities will remain with the relevant subsidiaries upon completion of the Restructuring Proposal and may have a claim on the Group's future cashflow.

(c) Other liabilities

In addition to the Bank Debts, the Debt Purchase also includes the CNMG Debt and the CNMF Debt owing by the Company to CNMG and CNMF which amounted to approximately HK$4 million and HK$40 million respectively as at 30th June, 2003, and HK$5 million and HK$40 million as at 3rd September, 2003. As at 30th June, 2003, trade payables and accrued charges of the Group amounted to HK$266 million. No specific arrangement has been made by the Group with its creditors in connection with such trade payables.

(d) Turnover, trading results and dividends

The audited consolidated results of the Group for the three financial years ended 31st December, 2002 and the unaudited consolidated results for the six months ended 30th June, 2003, as disclosed in Appendix I to the Circular, are summarised as follows:

	For the six months ended 30th June, 2003		**For the year ended 31st December,**	
		2002	**2001**	**2000**
	Unaudited	**Audited**	**Audited**	**Audited**
	HK$ million	*HK$ million*	*HK$ million*	*HK$ million*
Turnover	644	876	1,234	1,443
Profit/(Loss) attributable to Shareholders	28	20	(863)	(165)

- *For the year ended 31st December 2001*

The Company entered into a long-term contract with a supplier in 1999 with the intention to secure a steady supply of alumina. Such contract stipulated that the price of alumina to be supplied to the Group would be calculated with reference to the prevailing aluminum price quoted on the London Metal Exchange from time to time. During 2001, the price of alumina in the international spot market dropped sharply by over 40%, while the price of aluminum also dropped but to a much lesser extent. Consequently, gross loss was incurred for the trading of alumina and the Group therefore reduced the volume of its nonferrous metal trading. The turnover from the sale of nonferrous metals dropped by 42.3% from HK$428 million in 2000 to HK$247 million in 2001. Despite the aluminium refinery, copper refinery and smelters business of the Group recorded similar results in 2001 to that of 2000, the overall turnover of the Group decreased moderately by 14.5% from HK$1,443 million to HK$1,234 million. The decrease in turnover was accompanied by a deterioration in gross profit from HK$234 million in 2000 to HK$64 million in 2001, representing a drop of approximately 72.6%.

In 2001, the Group recorded a loss attributable to Shareholders of approximately HK$863 million, compared to HK$165 million in 2000. The increase in the loss was principally due to the deterioration in gross profits as explained above as well as provisions of approximately HK$56 million made for expected loss in fulfilling the purchase commitment of the long-term purchase contract for alumina. In addition, provisions of HK$283 million and HK$188 million were made against receivables due from related companies and other trade debtors respectively. As these receivables had been overdue for several years, the Directors considered the chance of recovering these receivables remote. Excluding such provisions, the loss attributable to Shareholders for the year would have been reduced to approximately HK$336 million.

- *For the year ended 31st December, 2002*

The turnover of the Group for 2002 decreased further to HK$876 million as compared to HK$1,234 million in 2001. The weakened financial position of the Group, in particular the overdue bank loans of approximately HK$389 million, restricted the Group's ability in obtaining bank trading facilities to conduct its trading business and the Group needed to defer certain shipment of alumina under the long term supply contract to 2004. As a result, the sales of alumina ceased until the end of 2002.

During 2002, shortage in the supply of copper in the PRC and other countries led to an increase in purchasing costs. Given the Group's shortage in cashflow, it was unable to finance the purchases of raw materials and therefore turnover from copper refinery and smelters dropped significantly from HK$137 million in 2001 to HK$49 million in 2002.

Despite the decrease in turnover, the Company was able to contain cost of sales, hence improving gross profit margin from 5.2% in 2001 to 12.4% in 2002. Gross profit improved by approximately 68.8% from HK$64 million in 2001 to HK$108 million in 2002.

Given the deteriorating financial position of the Group, the management had implemented stringent cost control measures. Administrative costs and selling expenses were reduced from approximately HK$132 million in 2001 to HK$92 million in 2002. In addition, the Group recorded a gain on deconsolidation of Da Hua Non-ferrous

Metals Company Limited, which was a wholly-owned subsidiary of the Company put under liquidation during the year, of approximately HK$30 million. Provisions for expected loss on the long-term supply contract for purchase of alumina were reversed by approximately HK$44 million during the year due to recovery in the market price of alumina. As a result of the aforesaid, the Group recorded a profit attributable to Shareholders of approximately HK$20 million in 2002, versus a loss of HK$863 million in 2001.

- *For the six months ended 30th June, 2003*

The Group recorded a profit of approximately HK$28 million for the six months ended 30th June, 2003 which was attributable principally to the resumption in trading of alumina since February 2003.

The spot price of alumina increased sharply during the first six months of 2003 due to shortage in supply in the market. The Group benefited from such market conditions as it was able to source sufficient supply of alumina during this period under the long-term supply contract it entered into in 1999. As a result, the trading business of the Group recorded a profit of approximately HK$38 million for the six months ended 30th June, 2003.

The aluminium refinery business continued to experience stiff competition during the first six months ended 30th June, 2003. Despite the increase in turnover from approximately HK$389 million for the six months ended 30th June, 2002 to approximately HK$512 million for the corresponding period in 2003, the profit of this business segment decreased from approximately HK$20 million in 2002 to approximately HK$18 million in 2003, representing a decrease in profit margin from approximately 5.2% to approximately 3.5%.

Turnover from the copper refinery and smelters business segment of the Group decreased by approximately 51.6% from HK$31 million for the six months ended 30th June, 2002 to HK$15 million for the corresponding period in 2003. Profits from this activity however remained stable, recording profits of approximately HK$3 million for the first six months in both 2003 and 2002.

- *Dividends*

No dividend has been paid in respect of the above financial periods.

- *Current trading*

Based on the improvement in both the turnover and profitability of the Group for 2002 and the first half of 2003, it appears to us that the Group's position may have stabilised from the sequence of losses incurred from 1998 to 2001. However, the damage caused to the net assets and liquidity of the Group by approximately HK$1.4 billion of aggregate losses in the period from 1998 to 2001 is substantial and the Group could not sustain its current operations, in our opinion, without an assumption in the market that a rescue plan, such as the Restructuring Proposal, would be put through.

3. The Restructuring Proposal

The Restructuring Proposal will restore the Group to a positive net asset value position. The Restructuring Proposal principally involves (a) the Debt Purchase, for which the Special Deal Consent is required; (b) the Subscription, for which the Special Deal Consent and the Whitewash Waiver are required; and (c) the Capital Restructuring. All the transactions contemplated under the Restructuring Proposal are inter-conditional. Consequently, while we comment below on the individual features of the Restructuring Proposal, Shareholders should consider the Restructuring Proposal as one overall package and we have evaluated the aspects which require Independent Shareholders' consent in this light.

(a) Debt Purchase

On 15th October, 2003, Minmetals HK entered into agreements for the Debt Purchase with each of (i) CNMG (in liquidation); (ii) CNMF (in liquidation); and (iii) the Banks for the proposed acquisition of the debts (including principal amounts and interests) owed by the Company to them. Pursuant to such agreements, the abovementioned debts will be acquired at the purchase price of 25 cents on a dollar on the basis of the aggregate principal amount of approximately HK$418 million.

In essence, the purpose of the Debt Purchase is to enable Minmetals HK to take up the loans owed by the Company so as to exchange the loans for new equity capital of the Company through the Subscription, as described in the following section.

The Debt Purchase excludes the loans owed by subsidiaries of the Company to banks and financial institutions in the PRC which amounted to RMB491 million (equivalent to approximately HK$463 million) as at 30th June, 2003. The Company has confirmed that it has not given any guarantee in respect of such loans. The Company also confirmed that it has no specific plan and Minmetals HK has not indicated its intention with regard to such loans. As at 30th June, 2003, overdued bank loans owed by the Company's subsidiaries to financial institutions in the PRC amounted to approximately HK$9 million.

(b) Subscription

Pursuant to the Subscription Agreement, Coppermine agreed to subscribe for 475,376,917 Subscription Shares at a subscription price of HK$0.88 per New Share. The aggregate subscription price of approximately HK$418 million will be satisfied by setting off an equivalent amount of the debts acquired under the Debt Purchase and by cash payment in respect of any shortfall. Coppermine shall waive any debts purchased which exceed the aggregate Subscription price.

The Subscription Agreement will be completed forthwith upon completion of the agreements relating to the Debt Purchase. The Subscription will allow the Company to recapitalise its balance sheet and result in Coppermine becoming the single largest Shareholder upon completion of the Restructuring Proposal.

As described in the pro forma statement of unaudited adjusted consolidated net tangible assets of the Group contained in Appendix I to the Circular, the combined effect of the Debt Purchase and the Subscription is to change a deficit of HK$323 million for the Group as at 30th June, 2003 to a positive net asset position of HK$135 million, on the basis of the aggregate balance of the CNMG Debt, the CNMF Debt and the Bank Debts (including principal and interests) of HK$458 million as at 30th June, 2003. The Company itself will become debt free. In view of this, we consider the Company should have a sufficient net asset base to sustain its business. Shareholders however should note that certain liabilities which include, among others, loans due to PRC financial institutions and trade creditors balances (which amounted to approximately HK$463 million and HK$266 million as at 30th June, 2003) will remain with the Group upon completion of the Restructuring Proposal. Subject to future negotiations between the Group and the creditors, these liabilities may have a claim on the future working capital of the Group. This issue is further discussed in the paragraph headed "Risk Factors" below.

(c) Capital Restructuring

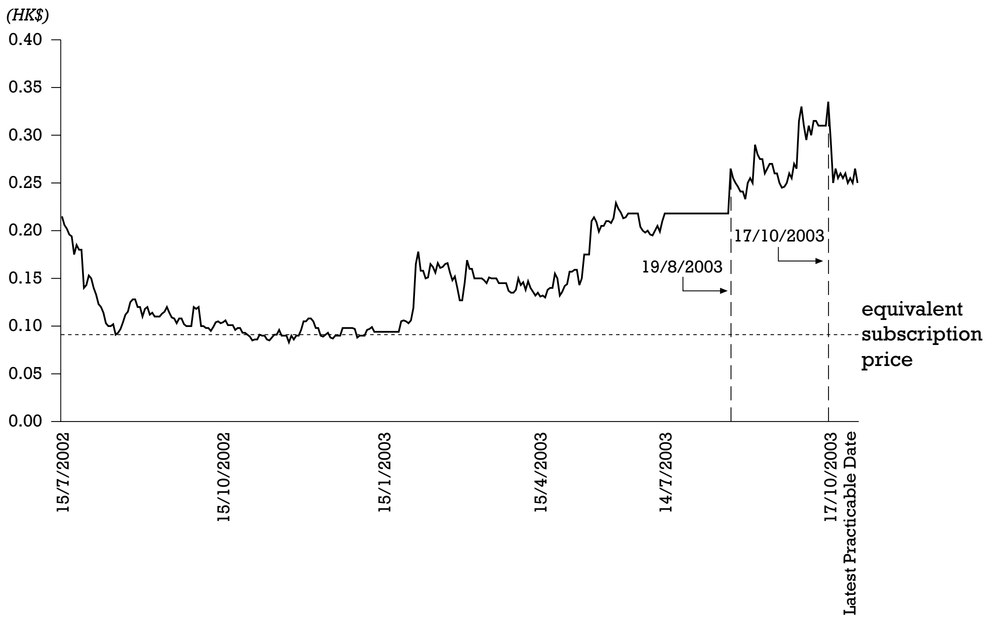
The proposed issue price of the Subscription Shares pursuant to the Subscription Agreement is HK$0.88 per New Share, equivalent to HK$0.088 per Existing Share. This is below the nominal value of the Existing Shares, so the Board proposes to carry out the Capital Restructuring in order to allow the Subscription to proceed.

Pursuant to the Capital Restructuring, it is proposed that every ten Existing Shares of HK$0.10 each will be consolidated into one Consolidated Share of HK$1, and the nominal value of each Consolidated Share will then be reduced by HK$0.95 per share from HK$1.00 to HK$0.05. Approvals of the Capital Restructuring by the Shareholders and the Court are conditions precedent to the Restructuring Proposal.

4. Trading in the Shares on the Stock Exchange

The following charts illustrate the movement of share prices and trading volume of the Existing Shares on the Stock Exchange during the period from 15th July, 2002 (being the date falling 12 months before the suspension of trading in the Shares on the Stock Exchange on 15th July, 2003 pending the release by the Company of an announcement in relation to a possible debt restructuring proposal on 19th August, 2003 (the ''Holding Announcement'')) and up to the Latest Practicable Date.

(a) Share price



Source: Bloomberg

The equivalent subscription price of HK$0.088 per Existing Share represents:

- a discount of approximately 59.6% to the closing price of HK$0.218 per Existing Share as quoted on the Stock Exchange on 14th July, 2003, being the last trading day of the Existing Shares prior to the suspension of trading in the Existing Shares pending the issue of the Holding Announcement;

- a discount of approximately 71.6% to the closing price of HK$0.31 per Existing Share as quoted on the Stock Exchange on 14th October, 2003, being the last trading day of the Existing Shares prior to the date of the Subscription Agreement and the suspension of trading in the Existing Shares pending the issue of the Announcement;

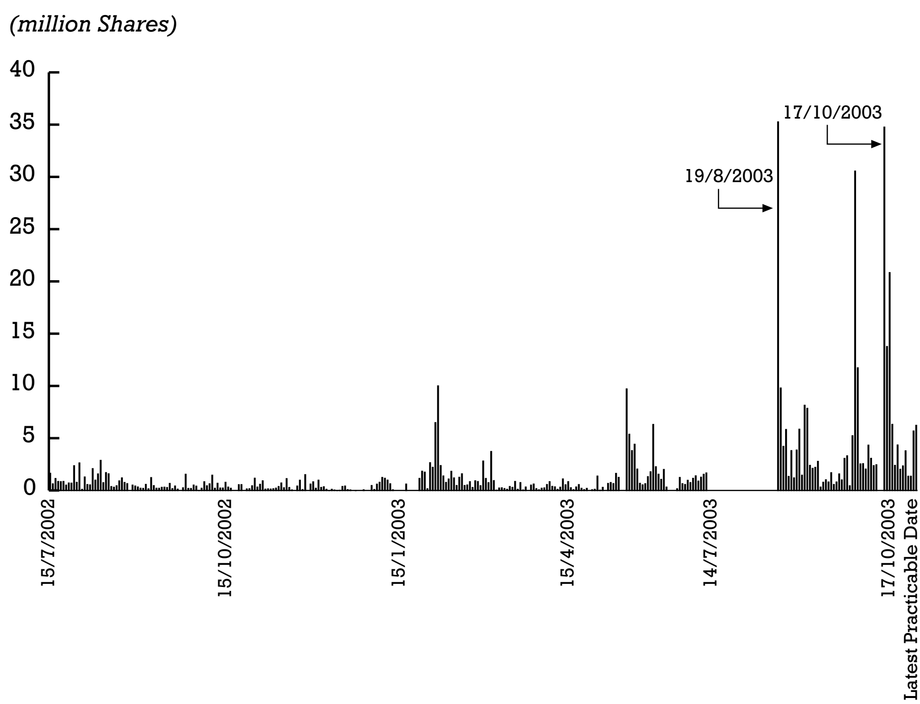
- a discount of approximately 69.0% to the average closing price of HK$0.284 per Existing Share over the 20 trading days of the Existing Shares up to and including 14th October, 2003;

- a discount of approximately 64.7% to the average closing price of HK$0.249 per Existing Share over the 60 trading days of the Existing Shares up to and including 14th October, 2003; and

- a discount of approximately 64.8% to the closing price of HK$0.25 per Existing Share as at the Latest Practicable Date.

Despite the deficit in net assets, the Existing Shares have continued to trade at around HK$0.26, capitalising the whole Company at approximately HK$343 million. Based on our analysis of the financial position of the Group as set out in paragraph 2 above, we consider that the market capitalisation as at the Latest Practicable Date includes substantial "hope value" that the severe financial difficulties faced by the Group can be solved by the implementation of the Restructuring Proposal while leaving a certain value for the Shareholders.

(b) Trading Volume



Source: Bloomberg

The average daily trading volumes of the Existing Shares during each month in the period under review were mostly under 0.1% of the total issued Existing Shares and less than 0.2% of the Existing Shares in public hands (on the basis of 723,682,747 Existing Shares held by public), except in rare occasions in February and June 2003. Trading in the Existing Shares was suspended on 15th July, 2003 pending the release of the Holding Announcement. Immediately after the Existing Shares resumed trading on 20th August, 2003 after the release of the Holding Announcement, daily trading volume surged to 35 million Existing Shares, representing 2.7% of the total issued Existing Shares and 4.8% of Existing Shares in public hands. The volume however was not sustained and dropped back. Trading in Existing Shares surged again to 31 million Existing Shares on 2nd October, 2003 and 35 million Existing Shares on 17th October, 2003, being the first trading day of the Existing Shares immediately after the release of the Announcement.

In our view, trading in the Existing Shares has been depressed by the financial difficulties overhanging the Group. The occasional "spikes" in volume can be accounted for, in our view, by rumours of a restructuring proposal or change of controlling Shareholder. Independent Shareholders may benefit from an increased level of interest in the New Shares if the Restructuring Proposal is approved.

5. Effects of the Restructuring Proposal

(a) Shareholdings and dilution for Independent Shareholders

Details of the existing shareholding structure of the Company and the future shareholding structure following completion of the Restructuring Proposal have been set out in the paragraph headed "Shareholding Structure" in the letter from the Board contained in the Circular. Shareholders' attention is drawn to the allocation of shareholdings illustrated there.

Independent Shareholders, currently holding approximately 54.8% interest in the Company, will have their interests diluted to approximately 11.9% of the enlarged issued share capital of the Company upon completion of the Restructuring Proposal. Such dilution is a result of the issue of 475,376,917 Subscription Shares to Coppermine pursuant to the Subscription by capitalising the Bank Debts, the CNMG Debt and the CNMF Debt and the Capital Restructuring which involves the Share Consolidation. The issue of the 475,376,917 Subscription Shares to Coppermine and the Share Consolidation will enable Coppermine to acquire a controlling stake in the Company immediately upon completion of the Restructuring Proposal.

(b) Net assets

Based on the pro forma statement of unaudited adjusted consolidated net tangible assets of the Group as set out in Appendix I to the Circular, the pro forma adjusted consolidated net tangible assets of the Group upon completion of the Restructuring Proposal will be approximately HK$135 million, equivalent to net tangible assets of approximately HK$0.22 per New Share. This compares to a deficiency in shareholders' funds as at 30th June, 2003 of approximately HK$323 million, equivalent to approximately HK$0.24 per Share before implementation of the Restructuring Proposal. The improvement in the overall pro forma net tangible assets position of the Group by approximately HK$458 million (before expenses) represents, in our opinion, a significant benefit to the Company and the Shareholders as a whole.

(c) Working capital and prospects

Based on the aggregate balance of the CNMG Debt, the CNMF Debt and the Bank Debts (including principal and interests) as at 30th June, 2003, upon completion of the Restructuring Proposal, the Group will have eliminated debts in the gross amount of approximately HK$458 million under the Debt Purchase and the Subscription.

While we are at present unable to comment on the prospects of the Group in the absence of a formal business plan for the Group's future development, we consider the business of the Group will benefit from an improved net assets and working capital position.

6. Alternative proposals

In view of the uncertainties surrounding the future of the Group, the chance of securing an underwriting from independent underwriters for an equity issue comparable to the one incorporated in the Restructuring Proposal would, in our opinion, be unlikely. No assistance can be expected from CNMG, the Company's present controlling Shareholder, as it is itself in liquidation.

An alternative sometimes open to companies in financial difficulty is a self-rescue proposal with creditors, which normally involves a rescheduling of bank and other financial obligations and allowing time for the operations of a group to recover from a loss position. We consider that in the case of the Group, taking into account the large deficit on net assets, the heavy borrowings and the defaults on bank facilities, the likelihood of obtaining the support of creditors for a self-rescue proposal is slight.

On the above basis, the Restructuring Proposal represents, in our opinion, the only viable rescue and restructuring proposal available to the Company at present.

7. Whitewash Waiver

Immediately upon completion of the Subscription, Coppermine will be interested in an aggregate of 475,376,917 New Shares, representing approximately 78.3% of the issued share capital of the Company as enlarged by the issue of the New Shares under the Subscription. Pursuant to the Takeovers Code, Coppermine and parties acting in concert with it would then be required under Rule 26 to make an unconditional general offer to the Shareholders for all the Shares other than those already owned or agreed to be acquired by it or parties acting in concert with it.

Coppermine has made an application to the Executive for the Whitewash Waiver from the obligation to make an offer for the Shares. The Whitewash Waiver is subject to, among others, the approval by the Independent Shareholders by way of poll at an extraordinary general meeting of the Company. The Restructuring Proposal is conditional upon the granting of the Whitewash Waiver by the Executive and the Independent Shareholders approving the Whitewash Waiver.

In the event that the Whitewash Waiver is not granted by the Executive or approved by the Independent Shareholders, the Restructuring Proposal will lapse. Given the financial conditions of the Group, unless other rescue proposals are received, the Group is not likely, in our opinion, to continue as a going concern without the successful completion of the Restructuring Proposal. We consider the grant of the Whitewash Waiver is a common feature in restructuring transactions involving a company experiencing financial difficulties with a substantial injection of new equity capital or reduction of liabilities.

Shareholders should note that upon completion of the Restructuring Proposal, Coppermine's interest in the Company will exceed 50% of the enlarged issued share capital. Accordingly, Coppermine will be able to acquire further Shares without incurring obligations to make a general offer under the Takeovers Code.

8. Special Deal Consent

As at the Latest Practicable Date, CNMG, being the controlling shareholder of the Company, held 596,044,203 Existing Shares, representing approximately 45.2% of the existing issued share capital of the Company. CNMF is a wholly-owned subsidiary of CNMG. Accordingly, the purchase of the CNMG Debt and CNMF Debt by Coppermine as consideration for the Subscription constitutes a special deal under Rule 25 of the Takeovers Code and requires consent from the Executive.

An application has been made by the Company to the Executive for the Special Deal Consent. At the EGM, a resolution will be proposed for the Independent Shareholders to consider and, if appropriate, approve the Special Deal by way of a poll. Completion of the Subscription is conditional upon, among other things, the granting of the Special Deal Consent and the approval of the transactions involved by the Independent Shareholders. If the Special Deal Consent is not obtained, the agreements relating to the Debt Purchase and the Subscription and therefore the Restructuring Proposal will lapse.

The CNMG Debt and the CNMF Debt carry substantially similar rights as the Bank Debts owed to the Banks who are independent third parties to the Group. Under the Debt Purchase, the Banks, CNMG and CNMF will receive for their respective debts consideration at the purchase price of 25 cents in a dollar of: (a) the principal amount and the capitalised interest outstanding as at 31st December, 2001 in the case of the Bank Debts; (b) the principal amount outstanding as at 3rd September, 2003 in the case of the CNMG Debt; and (c) the principal amount and accrued interest outstanding as at 10th April, 2002 in the case of the CNMF Debt. The final sum of debts to be purchased in each case is subject to adjustments as a result of, inter alia, any repayment of such debts and/or further accrual of interests prior to completion. The aggregate consideration payable by Coppermine under the Debt Purchase shall be approximately HK$105 million in cash. Accordingly, the Banks, CNMG and CNMF will receive a substantially similar recovery rate.

Under a restructuring of debts of a company, consent of all creditors approached as regards a compromise of debts is normally required and any creditor can jeopardise the proposal by winding up the company. In this regard, it is reasonable to expect CNMG and CNMF to negotiate for equal treatment in terms of recoverability of their loans as compared to the Banks. CNMG and CNMF are both currently under liquidation and negotiations in respect of settlement of its debtors were handled by the liquidators. Consequently, in our view, the terms of the purchase of loans from CNMG and CNMF were set on an arm's length basis.

In addition, in financial theory, loans owed by a company in financial difficulties should be fully repayable before its shares would be regarded as worth any material amount. It is unusual, in our experience, for creditors to accept a 75% haircut (their loans are being repaid at 25 cents on the dollar) in circumstances where new shares are subscribed at more than a nominal sum. Consequently, we consider a structure where CNMG receives 25 cents on the dollar for its loans while the Subscription Shares are being subscribed at HK$0.88 per New Share (equivalent to HK$0.088 per Existing Share) confers no further benefit on CNMG than Existing Shareholders as a body will receive through the Restructuring Proposal.

9. Future management

It is the intention of Minmetals HK to nominate four additional executive directors to the Board. Other than one of the executive Directors, Mr. Xu Huizhong, and the two independent non-executive Directors, Mr. Chan Wai Dune and Mr. Ting Leung Huel, Stephen, all other existing Directors will resign upon completion of the Restructuring Proposal. As such, the Board will comprise seven Directors, including two independent non-executive Directors. Save as aforesaid, Minmetals HK has no intention to make any significant change to the existing management of the Group.

Details of the proposed Directors are set out in the letter from the Board contained in the Circular. We note from the brief biographies of the proposed new Directors that all of them are either senior management within the China Minmetals group of companies or experienced in the minerals and nonferrous metals industry which are relevant to the business of the Group.

Coppermine is a private company wholly owned by Minmetals HK, which is in turn a wholly-owned subsidiary of China Minmetals. Minmetals HK had over 20 years of experience in the trading of metals, property development and financial investment businesses. China Minmetals is a large conglomerate with a history of more than 50 years and is one of the major importers and exporters of steels, nonferrous metals and mineral products in the PRC. For the year ended 31st December, 2002, the total revenue of China Minmetals exceeds US$7 billion (equivalent to approximately HK$53 billion).

One of China Minmetals group's subsidiaries, Minmetals Development Co., Ltd., was listed on the Shanghai Stock Exchange in the PRC in 1997 and had a market capitalisation of about RMB6 billion (equivalent to approximately HK$5.7 billion) as at 14th October, 2003. Furthermore, China Minmetals has interests in companies whose shares are listed in the PRC including Jiangxi Copper Company Limited (whose H shares are also listed on the main board of the Stock Exchange), Xiamen Tungsten Co. Ltd., Ningbo United Group Co., Ltd., and Shenzhen SDG Information Co., Ltd..

10. Business and public float

(a) Business

It is the current intention of Minmetals HK that following completion of the Restructuring Proposal, Minmetals HK will firstly rationalise, improve and strengthen the financial position and operations of the Group, especially the continuation of the development of its nonferrous metals trading and processing businesses. Minmetals HK will then formulate a long term development strategy for the Group and implement appropriate measures, if necessary, to further strengthen the Group's operations. However, Minmetals HK has no plans to inject any of its existing assets or businesses into the Group.

(b) Public float

It is the intention of the Directors (including the new Directors) to maintain the listing of the Company on the Stock Exchange. Upon completion of the Restructuring Proposal, less than 25% of the issued New Shares will be held by the public. The Directors (including the new Directors but excluding outgoing Directors) and Coppermine have jointly and severally undertaken to the Stock Exchange that appropriate steps will be taken to ensure that sufficient public float as required under the Listing Rules will be restored for the New Shares, as soon as practicable, following completion of the Restructuring Proposal. Depending on market conditions, such steps may involve a placement of some of the New Shares.

11. Risk factors

In considering the Restructuring Proposal, Independent Shareholders should bear in mind the following risk factors:

(a) Working capital and net assets position

Despite the significant improvement in the working capital and net assets position of the Group, Shareholders should note that substantial amounts of liabilities remain within the Group upon completion of the Restructuring Proposal. The Group may or may not be successful in negotiating a further restructure of such liabilities. The failure of reaching such agreement may result in a danger that certain members of the Group may not in the future have sufficient working capital to meet its requirements. If new equity issues are made by the Group to improve its working capital position, further dilution in the shareholding of the Independent Shareholders may occur.

(b) Future Prospects

The Directors attribute the financial performance and the financial difficulties of the Group in recent years mainly to conditions in the non-ferrous metals market. Minmetals HK has stated that it intends to develop the Group's nonferrous metals trading and processing businesses.

Despite the significantly improved financial position of the Group upon implementation of the Restructuring Proposal and an improved non-ferrous metals market, there will be no injection of assets into the Group in the near future from Minmetals HK. Accordingly, the Group's performance immediately after the Restructuring Proposal will be uncertain. The Group's annual turnover has decreased substantially compared with the period before its financial difficulties. Minmetals HK has not presented details of its business plan for the Group in the future. It is therefore uncertain whether the Group's operations will improve significantly in the future. Furthermore, China Minmetals is also engaged in the trading and investment of nonferrous metals related business, and the Group may compete against China Minmetals in the same industry, in particular in the trading of alumina. Upon completion of the Restructuring Proposal, the Group's nonferrous metals trading business may need to be analysed in order to rationalise the competing business of China Minmetals and the Group.

(c) Conditions of the Restructuring Proposal

Shareholders should note that the Restructuring Proposal, which is subject to a number of conditions set out under the section headed "Conditions" in the letter from the Board contained in the Circular, may or may not be implemented or completed. The various elements of the Restructuring Proposal are inter-conditional. In the event that any of the conditions of the various elements of the Restructuring Proposal are not fulfilled or waived (where allowed), the Restructuring Proposal will not proceed.

DISCUSSION AND CONCLUSION

The purchases of the CNMG Debt and the CNMF Debt and the Subscription are inter-conditional and therefore must be considered as one overall package. The Group is currently operating under severe financial difficulty with a significant deficiency in shareholders' funds of HK$323 million as at 30th June, 2003. Without taking drastic steps to improve the position of the Group, the Group will continue to be unable to meet its financial obligations and judgment has already been obtained by the lenders of the Syndicated Loan. Under the Restructuring Proposal, the potential dilution in shareholding is heavy, with the holding of Independent Shareholders in the Company being diluted from 54.8% to 11.9%. In addition, the Subscription price of HK$0.88 per New Share is considerably below the equivalent recent market prices for the Existing Shares. However, in the circumstances the Company finds itself, and despite some evidence that the heavy losses of recent years are being stemmed, we consider that liquidation is the most probable outcome without a rescue proposal, and the Restructuring Proposal is the only such available. In the event of a liquidation, based on the Group's deficit in net assets, we expect that Shareholders will not receive any distributions of material value.

It is not likely that the Group can, in our opinion, implement a self-rescue proposal. We are informed by the Directors that no comparable alternative proposals have been received. Consequently, in our opinion, Independent Shareholders have the choice of supporting the Restructuring Proposal or receiving little or no value in a probable liquidation of the Company.

The terms of the purchase of debt from CNMG, the present controlling Shareholder, and CNMF are the same as the purchase from the Banks, who are arm's length creditors of the Group. The purchase, at 25 cents on the dollar, does not seem to us to favour CNMG as creditor over the interests of Shareholders in general. The Debt Purchase and the Subscription are conditional on the Whitewash Waiver and the Special Deal Consent being granted by the Executive and approved by Independent Shareholders. Bearing in mind the financial position of the Group and the improvement the Debt Purchase and the Subscription will achieve, we consider that the terms of the Subscription Agreement and the transactions contemplated thereunder, the grant of the Whitewash Waiver and Special Deal Consent is fair and reasonable and in the interests of the Independent Shareholders.

ADVICE

For the reasons and factors set out above, we advise the Independent Board Committee to recommend that the Independent Shareholders vote in favour of the resolutions in relation to the Subscription, the Special Deal and the grant of the Whitewash Waiver to be proposed at the EGM.

Yours faithfully,
for and on behalf of
SOMERLEY LIMITED
M. N. Sabine
Chairman

SUMMARY OF FINANCIAL INFORMATION

Set out below is a summary of the audited consolidated results of the Group prepared under HK GAAP for each of the three financial years ended 31st December, 2000, 2001 and 2002 as extracted from the annual reports of the Group dated 29th June, 2001, 19th June, 2002 and 17th April, 2003, respectively. In connection with the audited accounts of the Group for the year ended 31st December, 2000, the auditors of the Company drew attention to the fundamental uncertainty relating to (i) the use of going concern basis of preparation of the Company's and the Group's accounts and (ii) the recoverability of certain related company's receivables and certain debtor balances of the Group. In connection with the audited accounts of the Group for the two years ended 31st December, 2001 and 2002, the auditors of the Company drew attention to the fundamental uncertainty relating to the use of the going concern basis of preparation of the Company's and the Group's accounts and a disclaimer opinion was issued by the auditors in this regard. The unaudited consolidated results of the Group prepared under HK GAAP for the six months ended 30th June, 2003 as extracted from the interim report of the Group for the six months ended 30th June, 2003 was published on 25th September, 2003.

	Year ended 31st December,			**6 months ended 30th June,**
	2000	**2001**	**2002**	**2003**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)
Turnover	1,442,523	1,234,277	875,676	643,927
Profit/(Loss) before taxation	(223,929)	(877,668)	27,504	20,408
Taxation	(2,185)	(3,233)	(2,487)	12,048
Profit/(Loss) after taxation	(226,114)	(880,901)	25,017	32,456
Minority interests	60,983	17,893	(5,341)	(4,693)
Profit/(Loss) attributable to Shareholders	(165,131)	(863,008)	19,676	27,763
Dividend per Existing Share	–	–	–	–
Earnings/(Loss) per Existing Share *(HK cents)* Basic *(Note 1)*	(12.51)	(65.39)	1.49	2.10

Note 1: The calculation of basic earnings/(loss) per Existing Share is based on the Group's profit/(loss) attributable to Shareholders of approximately HK$(165,131,000), HK$(863,008,000), HK$19,676,000 and HK$27,763,000 for the years ended 31st December, 2000, 2001 and 2002, and the six months ended 30th June, 2003, respectively and the weighted average of 1,319,726,950 Existing Share in issue during the years/period.

The Group does not have any extraordinary items for each of the three years ended 31st December, 2002 and the six months ended 30th June, 2003.

AUDITED CONSOLIDATED ACCOUNTS OF THE GROUP FOR THE YEAR ENDED 31ST DECEMBER, 2002

Set out below is the text of auditors' report issued by PricewaterhouseCoopers expressing their opinion on the Group's accounts for the year ended 31st December, 2002. References to the page numbers refer to page numbers of the Company's annual report for the year ended 31st December, 2002.

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 26 to 76 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

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

It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

BASIS OF OPINION

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

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

FUNDAMENTAL UNCERTAINTY RELATING TO A GOING CONCERN BASIS OF PRESENTATION

In forming our opinion, we have considered the adequacy of the disclosures made in Note 2(a)(i) to the accounts concerning the Group's default on repayment of its bank borrowings and related interest payable totalling approximately HK$414 million as at 31st December, 2002, whether the Group's debt restructuring work will be accepted by its banks and creditors, and can be successfully implemented, and whether the Group will be able to obtain new financing to meet its financial obligations as they fall due. The accounts have been prepared on the going concern basis, the validity of which depends upon future funding being available and the success of the Group's future operations. The accounts do not include any adjustments relating to the recoverability and classification of the asset carrying amounts or the amounts and classification of liabilities that would result from the failure to obtain such funding and should the Group's future operations not be successful. We consider that appropriate disclosures have been made. However, we consider this fundamental uncertainty to be so extreme that we have disclaimed our opinion in respect of the appropriateness of adopting the going concern basis for the preparation of the accounts.

QUALIFIED OPINION: DISCLAIMER ON VIEW GIVEN BY ACCOUNTS

Because of the fundamental uncertainty relating to the Company's and the Group's ability to continue as a going concern, we are unable to form an opinion as to whether the accounts give a true and fair view of the state of affairs of the Company and of the Group as at 31st December, 2002 and of the profit and cash flows of the Group for the year then ended. In all other aspects, in our opinion the accounts have been prepared in accordance with the Companies Ordinance.

Hong Kong, 17th April, 2003

Set out below is a summary of the audited consolidated profit and loss accounts, consolidated balance sheets, consolidated cash flow statements and notes to the accounts of the Group as extracted from the annual report of the Company for the year ended 31st December, 2002. In the annual report of the Company dated 17th April, 2003, in connection with the audited accounts for the year ended 31st December, 2002, the auditors of the Company drew attention to the fundamental uncertainty relating to the use of the going concern basis of preparation of the Company's and the Group's accounts and a disclaimer opinion was issued by the auditors in this regard. Details of which are set out in section headed "Auditors' Report" of this appendix.

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the year ended 31st December, 2002

	Note	2002 HK$'000	2001 HK$'000
Turnover	3	875,676	1,234,277
Cost of sales	35	(767,196)	(1,170,487)
Gross profit		108,480	63,790
Other revenues	3 & 35	3,009	4,442
Other income, net		1,400	3,642
		112,889	71,874
Selling expenses		(31,047)	(48,714)
Administrative expenses		(61,220)	(83,455)
Other operating income/(expenses)	4	53,115	(717,083)
Profit/(Loss) from operations	5	73,737	(777,378)
Finance costs	6 & 35	(52,084)	(58,325)
Share of profits less losses of associates		5,851	(41,965)
Profit/(Loss) before taxation		27,504	(877,668)
Taxation	7	(2,487)	(3,233)
Profit/(Loss) after taxation		25,017	(880,901)
Minority interests		(5,341)	17,893
Profit/(Loss) attributable to shareholders	8	19,676	(863,008)
Dividends	9	–	–
Basic earnings/(loss) per share	10	1.49 cents	(65.39 cents)
Profit/(Loss) for the year is retained as follows:			
– By the Company and its subsidiaries		14,133	(819,824)
– By associates		5,543	(43,184)
		19,676	(863,008)

CONSOLIDATED BALANCE SHEET

As at 31st December, 2002

	Note	2002 HK$'000	2001 HK$'000
Non-current assets			
Fixed assets	13	331,871	367,231
Construction in progress	14	84,892	44,891
Interests in associates	16	64,981	90,380
Investment securities	17	2,146	2,047
Long-term receivables	18	6,226	6,226
		490,116	510,775
Current assets			
Inventories	19	208,155	250,340
Trade receivables, prepayments and other receivables	20	201,090	143,335
Taxation recoverable		1,516	–
Pledged bank deposits		3,056	–
Cash and bank deposits		95,810	56,417
		509,627	450,092
Current liabilities			
Trade payables and accrued charges	21	211,154	192,748
Bills payable		29,245	7,547
Amount due to a shareholder	22	4,478	7,316
Amounts due to related companies	22	50,056	50,395
Amounts due to associates	16	12,381	9,100
Amounts due to minority investors	23	30,187	36,435
Taxation payable	24	9,721	11,573
Provisions	25	9,315	92,845
Bank loans	26	631,551	613,244
		988,088	1,021,203
Net current liabilities		(478,461)	(571,111)
Total assets less current liabilities		11,655	(60,336)

CONSOLIDATED BALANCE SHEET

As at 31st December, 2002

	Note	**2002** **HK$'000**	2001 *HK$'000*
Financed by:			
Share capital	*27*	131,973	131,973
Reserves	*28*	(483,042)	(495,381)
Deficit on shareholders' funds		(351,069)	(363,408)
Minority interests		158,007	155,902
Non-current liabilities			
Bank loans	*26*	176,415	147,170
Deferred income	*29*	28,302	–
		11,655	(60,336)

BALANCE SHEET

As at 31st December, 2002

	Note	2002 HK$'000	2001 HK$'000
Non-current assets			
Fixed assets	13	6,177	7,819
Investments in subsidiaries	15	122,753	138,963
Investment securities	17	108	9
Amount due from an associate		–	26
Long-term receivables	18	–	–
		129,038	146,817
Current assets			
Trade receivables, prepayments and other receivables		378	15,095
Cash and bank deposits		6,207	8,889
		6,585	23,984
Current liabilities			
Trade payables and accrued charges		36,630	19,595
Amount due to a shareholder	22	4,478	7,316
Amounts due to related companies	22	39,633	40,347
Taxation payable	24	1,174	1,837
Bank loans	26	377,752	373,668
		459,667	442,763
Net current liabilities		(453,082)	(418,779)
Total assets less current liabilities		(324,044)	(271,962)
Financed by:			
Share capital	27	131,973	131,973
Reserves	28	(456,017)	(403,935)
		(324,044)	(271,962)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31st December, 2002

	2002	**2001**
	HK$'000	*HK$'000*
Total (deficit)/equity as at 1st January	(363,408)	505,728
Exchange differences on translation of the accounts of PRC subsidiaries for consolidation	–	368
Impairment in value of land and buildings charged to revaluation reserve	–	(6,496)
Net loss not recognised in the profit and loss account	–	(6,128)
Profit/(Loss) attributable to shareholders	19,676	(863,008)
Capital reserve transferred to profit and loss account upon deconsolidation of a subsidiary under liquidation	(7,337)	–
Total deficit as at 31st December	(351,069)	(363,408)

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31st December, 2002

	Note	2002 HK$'000	2001 HK$'000
Operating activities			
Cash generated from operations	32(a)	70,095	74,722
Interest paid		(32,556)	(53,890)
PRC taxes (paid)/refund		(2,341)	1,599
Net cash inflow from operating activities		35,198	22,431
Investing activities			
Purchase of fixed assets		(2,822)	(5,142)
Proceeds from disposal of fixed assets		223	1,065
Payment for additions to construction in progress		(59,651)	(46,375)
Deconsolidation of a subsidiary under liquidation, net cash disposed	32(c)	(27)	–
Investment in an associate		–	(326)
Proceed from liquidation of an associate		–	1,391
Dividends received from an associate		6,952	10,362
Purchase of investment securities		–	(98)
Proceeds on disposal of investment securities		–	3,905
Dividends received from investment securities		–	27
Interest received		391	2,555
Increase in pledged bank deposits		(3,056)	–
Net cash outflow from investing activities		(57,990)	(32,636)
Net cash outflow before financing		(22,792)	(10,205)
Financing activities			
Dividend paid to minority shareholders		(3,236)	(3,231)
Proceeds from new bank loans		87,292	43,870
Repayment of bank loans		(39,740)	(51,378)
Decrease in amount due to a shareholder		(2,838)	(19)
(Decrease)/Increase in amounts due to related companies		(1,349)	8,158
(Decrease)/Increase in amounts due to minority investors		(6,248)	6,963
Proceeds from government grant		28,302	–
Net cash inflow from financing		62,183	4,363

	Note	2002 HK$'000	2001 HK$'000
Increase/(Decrease) in cash and cash equivalents		39,391	(5,842)
Cash and cash equivalents at 1st January		56,417	62,199
Effect of foreign exchange adjustments		2	60
Cash and cash equivalents at 31st December		95,810	56,417
Analysis of balances of cash and cash equivalents			
Cash and bank deposits		95,810	56,417

NOTES TO THE ACCOUNTS

1. ORGANISATION AND OPERATIONS

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

The Company is an investment holding company. Its subsidiaries and associates are principally engaged in the trading of nonferrous metals and investments relating to nonferrous metals.

2. PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these accounts are set out below:

(a) Basis of preparation

The accounts have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Society of Accountants ("HKSA"), the disclosure requirements of the Hong Kong Companies Ordinance and the Listing Rules. They have been prepared under the historical cost convention except that, as disclosed in the accounting policies below, certain land and buildings are stated at fair value.

(i) Going concern basis

As at 31st December, 2002, the Group had net current liabilities of approximately HK$478,461,000 and deficit on shareholders' funds of approximately HK$351,069,000. In addition, the Group has defaulted on repayment of bank loans of approximately HK$389 million as described in more detail in Note 26 and interest on its bank borrowings of approximately HK$25 million which was recorded under trade payables and accrued charges as at 31st December, 2002. Several banks of the Group have taken various actions including, but not limited to, the issuance of demand notices and writs of summons to request for repayment of the Group's bank loans of approximately HK$111 million (equivalent to approximately US$14 million). On 27th January, 2003, the High Court of the Hong Kong Special Administrative Region ("HKSAR"), made a judgement in the favour of the relevant banks. The relevant banks are now in discussion with other Hong Kong bank creditors regarding the debt restructuring of the Group. In view of aforementioned factors, there is doubt about the Group's ability to continue as a going concern.

In determining the basis of preparation of the accounts, the directors and management are optimistic about the progress of the Group's debt restructuring. If the Group's restructuring can be successfully implemented, the Group's future operations can be secured and new funding can be obtained to meet the Group's financial obligations as they fall due. Accordingly, the accounts have been prepared on a going concern basis.

(ii) Adoption of new/revised accounting standards

In the current year, the Group adopted the following Statements of Standard Accounting Practice ("SSAP") issued by the HKSA which are effective for accounting periods commencing on or after 1st January, 2002:

SSAP1 (revised):	Presentation of financial statements
SSAP11 (revised):	Foreign currency translation
SSAP15 (revised):	Cash flow statements
SSAP34 (revised):	Employee benefits

The Group has also adopted SSAP35 "Government grants and disclosure of government assistance" which is effective for periods commencing on or after 1st July, 2002 in advance of its effective date.

The adoption of these new and revised accounting standards did not have material impact on the accounts for the year ended 31st December, 2002 and the previous years except for the reclassifications in the consolidated cash flow statement and the presentation of the consolidated statement of changes in equity.

(b) Group accounting

(i) Consolidation

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

Subsidiaries are those entities in which the Company, directly or indirectly, controls the composition of the board of directors, controls more than half the voting power or holds more than half of the issued share capital.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated profit and loss account from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All significant intercompany transactions and balances within the Group are eliminated on consolidation.

The gain or loss on the disposal of a subsidiary represents the difference between the proceeds of the sale and the Group's share of its net assets together with any unamortised goodwill or negative goodwill or goodwill/negative goodwill and related accumulated foreign currency translation difference taken to reserves and which were not previously charged or recognised in the consolidated profit and loss account.

Minority interests represent the interests of outside shareholders in the operating results and net assets of subsidiaries.

In the Company's balance sheet, 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) Associates

An associate 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 associates for the year, and the consolidated balance sheet includes the Group's share of the net assets of the associates and goodwill/negative goodwill (net of accumulated amortisation) on acquisition.

In the Company's balance sheet, investments in associates are stated at cost less provision for impairment losses. The results of associates are accounted for by the Company on the basis of dividends received and receivable.

Equity accounting is discontinued when the carrying amount of the investment in an associate reaches zero, unless the Group has incurred obligations or guaranteed obligations in respect of the associate.

(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 associates expressed in foreign currencies are translated at the rates of exchange ruling at the balance sheet date whilst the profit and loss accounts are translated at an average rate. Exchange differences are dealt with as a movement in reserves.

(c) Goodwill/Negative goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net assets of the acquired subsidiary at the date of acquisition.

Goodwill on acquisitions occurring on or after 1st January, 2001 is included in intangible assets and is amortised using the straight-line method over its estimated useful life.

Goodwill on acquisitions that occurred prior to 1st January, 2001 was eliminated against reserves. Any impairment arising on such goodwill is accounted for in the profit and loss account.

Negative goodwill represents the excess of the fair value of the Group's share of the net assets acquired over the cost of acquisition.

For acquisition after 1st January, 2001, negative goodwill is presented in the same balance sheet classification as goodwill. To the extent that negative goodwill relates to expectations of future losses and expenses that are identified in the Group's plan for the acquisition and can be measured reliably, but which do not represent identifiable liabilities at the date of acquisition, that portion of negative goodwill is recognised in the profit and loss when the future losses and expenses are recognised. Any remaining negative goodwill, not exceeding the fair values of the non-monetary assets acquired, is recognized in the profit and loss over the remaining useful lives of those assets; negative goodwill in excess of the fair values of those non-monetary assets is recognised in the profit and loss immediately.

For acquisitions prior to 1st January, 2001, negative goodwill was taken directly to reserves on acquisition.

(d) 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 and other engineering services is recognised when related services are rendered.

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

(e) Fixed assets

(i) Properties

Properties are interests in land and buildings and are stated at cost or their revalued amounts, being their fair value 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 SSAP17, "Property, Plant and Equipment" issued by the HKSA, with the effect that certain land and buildings are stated at their revalued amounts, which were determined prior to 30th September, 1995 and have not been updated to reflect their fair values at the balance sheet date.

(ii) Other fixed assets

Other fixed assets, comprising leasehold improvements, plant and machinery, office equipment, furniture and fixtures and motor vehicles are stated at cost less accumulated depreciation and accumulated impairment losses.

(iii) Construction in progress

Construction in progress is stated at cost. Cost includes all attributable costs of bringing the asset to working condition for its intended use. This includes direct costs of construction as well as interest expense capitalised during the period of construction and installation. Capitalisation of these costs will cease and the construction in progress is transferred to fixed assets when the construction activities necessary to prepare the assets for their intended use are completed. No depreciation is provided in respect of construction in progress.

(iv) Depreciation

Leasehold land is stated at cost or revalued amount less accumulated impairment losses and is amortised over the remaining period of the lease. Other fixed assets are depreciated at rates sufficient to write off their cost less accumulated impairment losses over their estimated useful lives on a straight-line basis. The principal annual rates are as follows:

Buildings	2% – 5%
Leasehold improvements	20%
Plant and machinery	6% – 14%
Office equipment	20%
Furniture and fixtures	20%
Motor vehicles	33%

Major costs incurred in restoring fixed assets to their normal working condition are charged to the profit and loss account. Improvements are capitalised and depreciated over their expected useful lives to the Group.

(v) Impairment and gain or loss on sale

At each balance sheet date, both internal and external sources of information are considered to assess whether there is any indication that fixed assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated and where relevant, an impairment loss is recognised to reduce the asset to its recoverable amount. Such impairment losses are recognised in the profit and loss account except where the asset is carried at valuation and the impairment loss does not exceed the revaluation surplus for the same asset, in which case it is treated as a revaluation decrease.

The gain or loss on disposal of a fixed asset is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the profit and loss account.

(f) Investment securities

Investment securities are stated at cost less any provision for impairment losses.

The carrying amounts of individual investments are reviewed at each balance sheet date to assess whether the fair values have declined below the carrying amounts. When a decline other than temporary has occurred, the carrying amount of such securities will be reduced to its fair value. The impairment loss is recognised as an expense in the profit and loss account. This impairment loss is written back to the profit and loss account when the circumstances and events that led to the write-downs or write-offs cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future.

(g) Inventories

Inventories comprise stocks and work in progress and are stated at the lower of cost and net realisable value. Cost, calculated on the weighted average basis, comprises materials, direct labour and an appropriate proportion of all production overhead expenditure. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

(h) Accounts receivable

Provision is made against accounts receivable to the extent they are considered to be doubtful. Accounts receivable in the balance sheet are stated net of such provision.

(i) Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks, cash investments with a maturity of three months or less from date of investment and bank overdrafts.

(j) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

(k) Government grants

A government grant is initially 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 recognised in the profit and loss account on a systematic basis to match with the related costs which they are intended to compensate. Grants relating to assets are recognised in the profit and loss account, on a systematic basis over the useful life of the asset.

Government grants relating to the purchase of fixed assets are included in non-current liabilities as deferred income and are credited to the profit and loss account on a straight-line basis over the expected useful lives of the related assets.

(l) Deferred taxation

Deferred taxation is provided under the liability method in respect of timing differences between profit as computed for taxation purposes and profit as stated in the accounts to the extent that a liability or an asset is expected to be payable or recoverable in the foreseeable future.

(m) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the balance sheet date.

(ii) Pension obligations

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

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

(n) Operating leases

Leases where substantially all the risks and rewards of ownership of assets remain with the leasing company are accounted for as operating leases. Payments made under operating leases net of any incentives received from the leasing company are charged to the profit and loss account on a straight-line basis over the lease periods.

(o) Contingencies

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the accounts. When a change in the probability of an outflow occurs so that the outflow becomes probable, it will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group.

Contingent assets are not recognised but are disclosed in the notes to the accounts when an inflow of economic benefits is probable. When the inflow is virtually certain, an asset is recognised.

(p) 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.

(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. Segment liabilities comprise operating liabilities and exclude items such as taxation and certain corporate borrowings. Capital expenditure mainly comprises additions to fixed assets and construction in progress, including additions resulting from acquisitions through purchases of subsidiaries.

In respect of geographical segment reporting, sales are based on the country in which the customer is located. Total assets and capital expenditure are where the assets are located.

3. TURNOVER, REVENUE AND SEGMENT INFORMATION

The Group is principally engaged in the manufacturing and distribution of aluminum and copper products. Revenues recognised during the year are as follows:

	2002	2001
	HK$'000	*HK$'000*
Turnover		
Sales of goods, net of value-added tax, returns and discounts	875,676	1,234,277
Other revenues		
Sales of by-products	635	758
Service income	1,983	1,129
Interest income	391	2,555
	3,009	4,442
Total revenue	878,685	1,238,719

(a) Primary reporting format – Business segments

Segment information is presented in respect of the Group's business and geographical segments. Business segment information is chosen as the primary reporting format because this is more relevant to the Group's internal financial reporting.

The Group's operations comprise the following main business segments:

Trading:	Trading of nonferrous metals
Aluminium refinery:	Production and sale of aluminum foil, extrusions, and production and sale of aluminium cans and containers and packaging products
Copper refinery and smelters:	Production and sale of plica tubes, copper rods, copper wires, copper cathodes and copper blisters

There are no sales or other transactions between the business segments.

	Trading		Aluminium refinery		Copper refinery and smelters		Corporate and others		Total	
	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
REVENUES										
Sales of nonferrous metals	–	246,736	827,015	853,830	48,661	137,076	–	–	875,676	1,237,642
Net loss on metals future trading	–	(3,365)	–	–	–	–	–	–	–	(3,365)
									875,676	1,234,277
OTHER REVENUES	81	1,004	1,391	3,078	635	40	902	320	3,009	4,442
RESULTS										
Segment results	37,510	(308,335)	38,343	(61,765)	1,292	(35,170)	(3,408)	(372,108)	73,737	(777,378)
Finance costs									(52,084)	(58,325)
Share of profits less losses of associates	–	–	470	(6,877)	5,381	(35,088)	–	–	5,851	(41,965)
Taxation									(2,487)	(3,233)
Minority interests									(5,341)	17,893
Profit/(Loss) attributable to shareholders									19,676	(863,008)

	Trading		Aluminium refinery		Copper refinery and smelters		Corporate and others		Total	
	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
OTHER INFORMATION										
Segment assets	12,468	28,836	896,354	795,687	23,336	36,700	2,604	9,264	934,762	870,487
Interests in associates	–	–	7,622	6,909	57,359	83,471	–	–	64,981	90,380
Total assets									999,743	960,867
Segment liabilities	33,853	196,567	609,381	526,481	46,815	58,795	502,756	386,530	1,192,805	1,168,373
Capital expenditures incurred during the year	–	18	61,955	51,171	425	235	93	93	62,473	51,517
Depreciation and amortisation	7	25	52,924	82,867	412	4,325	157	978	53,500	88,195
Impairment losses recognised in profit and loss account	–	–	1,882	9,617	–	31,466	1,359	10,413	3,241	51,496
Impairment losses directly charged to equity	–	–	–	–	–	–	–	6,496	–	6,496

(b) Geographical segments

The Group's activities are conducted predominately in Hong Kong and Mainland China (the "PRC").

In presenting information on the basis of geographical segments, segment revenues are based on the geographical location of the customers. Segment assets and capital expenditures are based on the geographical location of the assets.

There are no sales between the geographical segments.

	The PRC		**Hong Kong and others**		**Total**	
	2002	**2001**	**2002**	**2001**	**2002**	**2001**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
External revenue	851,316	1,111,163	24,360	123,114	875,676	1,234,277
Contribution to gross profit	104,764	63,519	3,716	271	108,480	63,790
Segment assets	995,631	950,335	4,112	10,532	999,743	960,867
Capital expenditure	62,380	51,406	93	111	62,473	51,517

4. OTHER OPERATING INCOME/(EXPENSES)

	2002	**2001**
	HK$'000	*HK$'000*
Reversal of provision/(provision) for foreseeable loss on a long-term purchase contract *(see Note 25(i))*	43,806	(56,040)
Gain on deconsolidation of a subsidiary under liquidation *(Note (i))*	29,754	–
Reversal of provision/(provision) for compensation in respect of outstanding claims and litigations	6,829	(16,256)
Reversal of provision/(provision) for impairment in value of investment securities	99	(594)
Provision for bad and doubtful debts		
– Amounts due from associates	(13,957)	(71,979)
– Long-term receivables	–	(200)
– Debtors and prepayments	(8,734)	(519,740)
Provision for impairment in value of fixed assets (other than land and buildings)	(1,882)	(36,745)
Provision for impairment in value of land and buildings	(1,458)	(12,544)
Provision for impairment in value of intangible assets	–	(1,613)
Others	(1,342)	(1,372)
	53,115	(717,083)

Note:

(i) On 7th June, 2002, a creditor of Da Hua Non-ferrous Metals Company Limited ("Da Hua"), a wholly-owned subsidiary of the Company, filed a petition to the High Court ("the Court") of the HKSAR to seek an order from the Court to wind up Da Hua on the grounds that Da Hua failed to settle a sum of approximately HK$20,661,000 due to that party. On 21st October, 2002, the Court ordered to wind up Da Hua and appointed provisional liquidators to manage the affairs of Da Hua. Since then, the Group has been unable to exercise control over Da Hua and the Group recorded a resultant gain on deconsolidation of the subsidiary under liquidation of approximately HK$29,754,000.

5. PROFIT/(LOSS) FROM OPERATIONS

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

	2002	2001
	HK$'000	*HK$'000*
Charging:		
Depreciation	53,500	87,315
Loss on disposal of fixed assets	769	884
Loss on disposal of construction in progress	–	7
Amortisation of intangible assets	–	880
Operating lease rentals on land and buildings	1,088	1,360
Provision for inventory obsolescence	–	8,089
Auditors' remuneration	1,200	1,800
Exchange loss, net	63	–
Crediting:		
Reversal of provision for inventory obsolescence	338	–
Gain on disposal of investment securities	–	1,934
Dividend income from investment securities	–	27
Exchange gain, net	–	261

6. FINANCE COSTS

	2002	2001
	HK$'000	*HK$'000*
Bank loans wholly repayable within five years	52,448	57,452
Other loans wholly repayable within five years	1,256	1,779
	53,704	59,231
Less: Interest capitalised in construction in progress	(1,620)	(906)
	52,084	58,325

7. TAXATION

The amount of taxation charged to the consolidated profit and loss account represents:

	2002	2001
	HK$'000	*HK$'000*
Provision for PRC Enterprise Income Tax	2,179	2,014
Share of income tax of associates	308	1,219
	2,487	3,233

No provision for Hong Kong profits tax has been made for Hong Kong companies within the Group as all Hong Kong companies had no 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 immediate next three years.

The tax exemption and reduction period of one of the subsidiaries in the PRC expired in 2001, which is currently subject to Enterprise Income Tax at a tax rate of 33%. All other subsidiaries in the PRC still enjoy full tax exemption for the year.

8. PROFIT/(LOSS) ATTRIBUTABLE TO SHAREHOLDERS

Profit/(Loss) attributable to shareholders is dealt with in the accounts of the Company to the extent of loss of HK$52,082,000 (2001: loss of HK$699,597,000).

9. DIVIDENDS

No interim dividend was paid and the directors do not recommend the payment of a final dividend for the year ended 31st December, 2002.

10. EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings/(loss) per share is based on the Group's profit attributable to shareholders of approximately HK$19,676,000 (2001: loss of HK$863,008,000).

The basic earnings/(loss) per share is computed based on the weighted average of 1,319,726,950 shares (2001: 1,319,726,950 shares) in issue during the year.

No disclosure of diluted earnings/(loss) per share has been made as there was no potential dilutive shares in existence in 2002 and 2001.

11. STAFF COSTS

	2002	**2001**
	HK$'000	*HK$'000*
Staff costs, including directors' emoluments, consist of:		
Wages and salaries	37,845	36,042
Unutilised annual leave	86	–
Long service payment	179	–
Retirement scheme contributions *(see Note 30)*	6,845	10,922
	44,955	46,964

12. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

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

	2002	**2001**
	HK$'000	*HK$'000*
Executive directors		
Fees	–	–
Salaries and other emoluments	3,785	3,510
Non-executive directors		
Fees	381	240
	4,166	3,750

During the year, no director waived any emoluments and no emoluments were paid or payable by the Group to any director as an inducement to join or as compensation for loss of office.

Analysis of the emoluments of the directors by number of directors and emolument range is as follows:

	Number of directors	
	2002	**2001**
Nil – HK$1,000,000	11	6
HK$1,500,001 – HK$2,000,000	1	2
	12	8

(b) Five highest-paid individuals

The five individuals with the highest emoluments include three (2001: two) executive directors whose emoluments are disclosed in Note 12(a) above. The emoluments in respect of the remaining two (2001: three) individuals are as follows:

	2002	**2001**
	HK$'000	*HK$'000*
Salaries and other emoluments	858	1,914
Retirement scheme contributions	40	58
	898	1,972

Analysis of emoluments paid to the above two (2001: three) non-director individuals by number of individuals and emolument range is as follows:

	Number of individuals	
	2002	**2001**
Nil – HK$1,000,000	2	2
HK$1,000,001 – HK$1,500,000	–	1
	2	3

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

13. FIXED ASSETS

(a) The Group

	2002						
	Land and buildings	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*
Cost or valuation							
Beginning of year	242,403	1,164	717,227	1,337	26,593	22,330	1,011,054
Reclassification	–	–	–	6,038	(6,038)	–	–
Additions	314	20	879	117	939	553	2,822
Transfer from construction in progress	3,780	–	15,398	–	–	472	19,650
Disposals	(858)	–	(598)	(840)	(2,661)	(2,026)	(6,983)
End of year	245,639	1,184	732,906	6,652	18,833	21,329	1,026,543
Analysis of cost or valuation is as follows:							
At cost	219,489	1,184	732,906	6,652	18,833	21,329	1,000,393
At valuation – 1994	26,150	–	–	–	–	–	26,150
	245,639	1,184	732,906	6,652	18,833	21,329	1,026,543
Accumulated depreciation and impairment losses							
Beginning of year	108,295	1,164	497,897	1,287	16,964	18,216	643,823
Reclassification	–	–	–	2,695	(2,695)	–	–
Charge for the year	14,891	3	35,564	335	1,671	1,036	53,500
Disposals	(434)	–	(560)	(744)	(2,284)	(1,969)	(5,991)
Impairment charge	1,458	–	592	436	–	854	3,340
End of year	124,210	1,167	533,493	4,009	13,656	18,137	694,672
Net book value							
End of year	121,429	17	199,413	2,643	5,177	3,192	331,871
Beginning of year	134,108	–	219,330	50	9,629	4,114	367,231

(b) The Company

	Land and buildings HK$'000	Leasehold improve-ments HK$'000	2002 Furniture and fixtures HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost or valuation					
Beginning of year	26,073	1,163	2,419	2,223	31,878
Additions	–	19	79	–	98
Disposals	–	–	(443)	(195)	(638)
End of year	26,073	1,182	2,055	2,028	31,338
Analysis of cost or valuation is as follows:					
At cost	4,823	1,182	2,055	2,028	10,088
At valuation – 1994	21,250	–	–	–	21,250
	26,073	1,182	2,055	2,028	31,338
Accumulated depreciation and impairment losses					
Beginning of year	18,373	1,163	2,300	2,223	24,059
Charge for the year	188	4	62	–	254
Impairment charge	1,458	–	–	–	1,458
Disposals	–	–	(415)	(195)	(610)
End of year	20,019	1,167	1,947	2,028	25,161
Net book value					
End of year	6,054	15	108	–	6,177
Beginning of year	7,700	–	119	–	7,819

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

	The Group 2002 HK$'000	The Group 2001 HK$'000	The Company 2002 HK$'000	The Company 2001 HK$'000
Land and buildings				
Held in Hong Kong on				
– long-term leases (over 50 years)	292	300	292	300
Held in the PRC on				
– medium-term leases (10 – 50 years)	109,369	112,338	5,762	7,400
– short-term leases (less than 10 years)	11,768	21,470	–	–
	121,429	134,108	6,054	7,700

(d) Certain land and buildings of the Group and of the Company were revalued at 30th September, 1994 on an open market basis by Debenham Tie Leung, an independent firm of registered professional surveyors and valuers. The Group has taken advantage of the transitional provisions set out in paragraph 80 of SSAP 17, "Property, Plant and Equipment" issued by the HKSA, with the effect that such land and buildings are stated at their revalued amounts, which were determined prior to 30th September, 1995 and have not been updated to reflect their fair values at the balance sheet date, less accumulated depreciation and any impairment losses.

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

	2002	**2001**
	HK$'000	*HK$'000*
The Group	112,752	127,998
The Company	6,054	7,700

(e) Certain fixed assets of the Group with a net book value of approximately HK$213 million (2001: HK$219 million) are mortgaged to banks to secure certain banking facilities of the Group.

14. CONSTRUCTION IN PROGRESS

	The Group	
	2002	**2001**
	HK$'000	*HK$'000*
Beginning of year	44,891	22,562
Additions	59,651	46,375
Transfer to fixed assets	(19,650)	(24,071)
Disposals	–	(7)
Exchange adjustments	–	32
End of year	84,892	44,891

During the year, interest expense of approximately HK$1,620,000 (2001: HK$906,000) was capitalised and included in additions to assets in the course of construction.

15. INVESTMENTS IN SUBSIDIARIES

	The Company 2002 HK$'000	The Company 2001 HK$'000
Non-current assets		
Unlisted shares/investments, at cost	18,943	20,407
Less: Provision for impairment in value	(18,858)	(16,071)
	85	4,336
Amounts due from subsidiaries *(Note (i))*	1,304,210	1,315,333
Less: Provision for amounts due from subsidiaries	(1,114,322)	(1,115,294)
	189,888	200,039
Amounts due to subsidiaries *(Note (i))*	(67,220)	(65,412)
	122,753	138,963

Notes:

(i) The amounts due from/to subsidiaries are unsecured and not repayable within one year. Except for certain amounts due from/to subsidiaries of approximately HK$1,118,400,000 (2001: HK$879,352,000) and HK$12,585,000 (2001: Nil) respectively which bear interest at prevailing market rates, all amounts due from/to subsidiaries are interest-free.

(ii) The directors are of the opinion that the underlying values of the subsidiaries are not less than their carrying values as at 31st December, 2002.

The following is a list of the principal subsidiaries:

Name of company	Place of incorporation/ operation	Principal activities	Particulars of issued or paid-up capital*	Proportion of issued capital held by the Company Directly	Indirectly
OrienMet Aluminium Company Limited	Hong Kong	Nonferrous metals trading	28,800 shares of HK$100 each	100%	–
Oriental Copper Company Limited	Hong Kong	Nonferrous metals trading	28,800 shares of HK$100 each	100%	–
OrienMet Minerals Company Limited	Hong Kong	Nonferrous metals trading	1,880,000 shares of HK$1 each	100%	–
Point Good Limited	Hong Kong	Property holding	2 shares of HK$1 each	100%	–
Taiway Enterprises Limited	Hong Kong	Property holding	2 shares of HK$1 each	100%	–
OrienMet Industry Company Limited	Hong Kong	Investment holding	5,000,000 shares of HK$1 each	100%	–
Oriental Metals Shipping and Transportation Company Limited	Liberia/ Hong Kong	Investment holding	1,000 shares of US$100 each	100%	–

Name of company	Place of incorporation/ operation	Principal activities	Particulars of issued or paid-up capital*	Proportion of issued capital held by the Company Directly	Indirectly
Goldfair Hong Kong Limited	Hong Kong	Investment holding	10,000 shares of HK$1 each	–	100%
Golden Hong Kong Limited	Hong Kong	Investment holding	10,000 shares of HK$1 each	–	100%
Lontic (Hong Kong) Limited	Hong Kong	Investment holding	2 shares of HK$1 each	–	100%
Parkfield Far East Limited	Hong Kong	Investment holding	10,000 shares of HK$1 each	–	100%
Topstart Limited	British Virgin Islands/ Hong Kong	Investment holding	50,000 shares of US$1 each	–	100%
North China Aluminium Company Limited #	PRC	Production and sale of aluminium foil and extrusions	Rmb344,800,000	–	51%
Yinkou OrienMet Plica Tube Company Limited #	PRC	Production and sale of copper plica tubes	US$4,000,000	–	51%
Yixing Jinfeng Copper Materials Company Limited #	PRC	Production and sale of copper wires	US$2,619,048	–	58%
Zhangzhou International Aluminium Container Company Limited #	PRC	Production and sale of aluminium cans, container and packaging products	US$20,000,000	–	60%

* *The class of shares held is ordinary.*

\# *These are Sino-foreign equity joint ventures registered under the laws of the PRC and their statutory accounts are not audited by PricewaterhouseCoopers.*

Note:

On 7th June, 2002, a creditor of Da Hua, a wholly-owned subsidiary of the Company, filed a petition to the Court of the HKSAR to seek an order from the Court to wind up Da Hua on the grounds that Da Hua failed to settle a sum of approximately HK$20,661,000 due to that party. On 21st October, 2002, the Court ordered to wind up Da Hua and appointed provisional liquidators to manage the affairs of Da Hua. Since then, the Group has been unable to exercise control over Da Hua and Da Hua has been deconsolidated from the consolidated accounts of the Group (see Note 4(i)).

Supplementary financial information of Da Hua is as follows:

	2002	Previous years since acquisition
	HK$'000	*HK$'000*
Losses dealt with in the consolidated accounts	502	33,947
Losses not dealt with in the consolidated accounts	–	–

16. INTERESTS IN ASSOCIATES AND AMOUNTS DUE TO ASSOCIATES

	The Group	
	2002	2001
	HK$'000	*HK$'000*
Share of net assets	34,671	36,780
Amounts due from associates *(Note (i))*	149,349	125,579
Less: Provision for doubtful debts	(119,039)	(71,979)
	30,310	53,600
	64,981	90,380
Amounts due to associates *(Note (i))*	12,381	9,100

Note:

(i) The balances with associates are unsecured and have no fixed terms of repayment. Except for certain amounts due from associates of approximately HK$97 million (2001: HK$107 million) which bear interest at prevailing market rates, all balances with associates are interest-free.

The Group's share of the post-acquisition losses of associates as at 31st December, 2002 was approximately HK$254 million (2001: HK$262 million).

Supplementary financial information of the major associate is as follows:

	The Group	
	2002	2001
	HK$'000	*HK$'000*
Balance sheet		
Non-current assets	133,399	141,962
Current assets	188,546	208,521
Current liabilities	209,960	230,995
Profit and loss account		
Turnover	1,271,955	1,575,250
Profit before taxation	21,524	37,425
Profit after taxation	20,292	32,658

The directors are of the opinion that the underlying values of the associates are not less than their carrying values as at 31st December, 2002.

The following is a list of the principal associates:

Name of company	Place of/ incorporation operation	Principal activities	Particulars of issued or paid up capital	Proportion of issued capital held by the Company Directly	Indirectly
Changzhou Jinyuan Copper Company Limited	PRC	Production and sale of copper rods	Rmb100,000,000	–	47.5%
Changzhou OrienMet Copper Company Limited*	PRC	Production and sale of copper rods and copper cathodes	Rmb79,000,000	–	50%
Huludao OrienMet Copper Company Limited*	PRC	Production and sale of copper blisters	US$46,600,000	–	30%
Qingdao M.C. Packaging Limited*	PRC	Production and sale of aluminium cans	US$25,000,000	–	20%
Shanghai Jing Bao Copper Foil Limited*	PRC	Production and sale of copper foil	Rmb29,450,000	–	25%
Yantai Penghui Copper Industry Company Limited*	PRC	Production and sale of copper cathodes	Rmb132,000,000	–	42%
Yinxing Company Limited*	PRC	Sale of aluminum ingots	Rmb14,322,600	–	34%

* *Statutory accounts of these companies are not audited by PricewaterhouseCoopers.*

All of the above associates are Sino-foreign equity joint ventures registered under the laws of the PRC.

17. INVESTMENT SECURITIES

	The Group 2002 HK$'000	The Group 2001 HK$'000	The Company 2002 HK$'000	The Company 2001 HK$'000
Unlisted investments, at cost	2,538	3,821	–	–
Less: Provision for impairment in value	(500)	(1,783)	–	–
	2,038	2,038	–	–
Listed investments, at cost	64,443	64,443	64,443	64,443
Less: Provision for impairment in value	(64,335)	(64,434)	(64,335)	(64,434)
	108	9	108	9
	2,146	2,047	108	9
Listed in Hong Kong at carrying value	108	9	108	9
Quoted market value of listed securities	108	2	108	2

18. LONG-TERM RECEIVABLES

	The Group		The Company	
	2002	2001	2002	2001
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Long-term receivables	6,426	6,426	200	200
Less: Provision for doubtful debts	(200)	(200)	(200)	(200)
	6,226	6,226	–	–

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

19. INVENTORIES

	The Group	
	2002	2001
	HK$'000	*HK$'000*
Raw materials	58,497	65,704
Work in progress	61,572	84,442
Finished goods	94,842	108,283
	214,911	258,429
Less: Provision for inventory obsolescence	(6,756)	(8,089)
	208,155	250,340

Included in finished goods are inventories of approximately HK$9 million (2001: HK$21 million) that are stated at their net realisable values.

20. TRADE RECEIVABLES, PREPAYMENTS AND OTHER RECEIVABLES

The Group normally grants a credit period ranging from 30 days to 90 days to its trade customers. Included in the Group's trade receivables, prepayments and other receivables are trade receivable balances, net of provision for doubtful debts, of approximately HK$174,974,000 (2001: HK$117,343,000). An aging analysis of such trade receivables is shown as follows:

	The Group			
	2002		2001	
	HK$'000	*%*	*HK$'000*	*%*
Less than 6 months	172,302	98	111,865	95
6 months – 1 year	2,553	2	2,893	2
1-2 years	119	–	1,035	1
Over 2 years	–	–	1,550	2
	174,974	100	117,343	100

21. TRADE PAYABLES AND ACCRUED CHARGES

Included in the Group's trade payables and accrued charges are trade payable balances of approximately HK$76,305,000 (2001: HK$58,803,000). An aging analysis of such trade payables is shown as follows:

	The Group			
	2002		2001	
	HK$'000	*%*	*HK$'000*	*%*
Less than 6 months	64,100	84	47,766	81
6 months – 1 year	1,671	2	702	1
1 – 2 years	4	–	417	1
Over 2 years	10,530	14	9,918	17
	76,305	100	58,803	100

22. AMOUNTS DUE TO A SHAREHOLDER AND RELATED COMPANIES

The amounts due to a shareholder and related companies are unsecured and repayable on demand. Except for amounts due to a related company by the Group of approximately HK$27,336,000 (2001: HK$27,600,000) and amounts due to a related company by the Company of approximately HK$16,920,000 (2001: HK$17,600,000) which bear interest rate at prevailing market rate, all outstanding balances are interest-free.

23. AMOUNTS DUE TO MINORITY INVESTORS

The amounts due to minority investors are unsecured, interest-free and are repayable on demand.

24. TAXATION PAYABLE

(a) Taxation payable represents:

	The Group		The Company	
	2002	2001	2002	2001
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Provision for Hong Kong profits tax relating to prior years	512	512	–	–
Provision for PRC taxes	9,209	11,061	1,174	1,837
	9,721	11,573	1,174	1,837

(b) Deferred taxation

The Group has potential deferred tax assets of approximately HK$123 million (2001: HK$136 million) in respect of all material timing differences between the accounting and tax treatment of income and expenditure. These potential deferred tax assets have not been recognised in the accounts as the directors consider that the realisation of the benefit in future years is uncertain.

25. PROVISIONS

	The Group		
	Compensation in respect of outstanding claims and litigations	Foreseeable loss on a long-term purchase contract *(Note (i))*	Total
	HK$'000	*HK$'000*	*HK$'000*
As at 1st January, 2002	36,805	56,040	92,845
Less: Amount utilised	–	(12,234)	(12,234)
Unused amounts reversed	(6,829)	(43,806)	(50,635)
Deconsolidation of a subsidiary under liquidation	(20,661)	–	(20,661)
As at 31st December, 2002	9,315	–	9,315

Note:

(i) The Group entered into a long-term contract with an overseas supplier for the purchase of alumina, which extends to 2004. During the year ended 31st December, 2001, the Group made a provision of approximately HK$56,040,000, which was the total expected loss, computed on the market price of alumina, in fulfilling the purchase commitment. As a result of the rise in the market price of alumina, the unutilised provision of approximately HK$43,806,000 was reversed during the year ended 31st December, 2002.

(ii) The provisions have not been discounted as the effect of discounting is not expected to be material.

26. BANK LOANS

	The Group		The Company	
	2002	2001	2002	2001
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within one year or on demand				
Secured bank loans	212,405	163,952	–	–
Unsecured bank loans	419,146	449,292	377,752	373,668
Included under current liabilities	631,551	613,244	377,752	373,668
After one year but within two years				
Secured bank loans	23,585	93,396	–	–
After two years but within five years				
Secured bank loans	152,830	53,774	–	–
Included under non-current liabilities	176,415	147,170	–	–
	807,966	760,414	377,752	373,668

(a) Certain bank loans of the Company are secured by a corporate guarantee given by a shareholder of the Company.

(b) Certain bank loans of the Group are secured by (i) a corporate guarantee given by a shareholder of the Company; (ii) certain fixed assets of the Group; and (iii) corporate guarantees given by certain minority investors and a third party.

(c) Certain bank loans of the Group and of the Company of approximately HK$389 million (2001: HK$399 million) and HK$378 million (2001: HK$374 million), respectively, are already overdue as at the date of the approval of the accounts by the directors and have been included under current liabilities as at 31st December, 2002.

27. SHARE CAPITAL

	Number of shares			
	2002	**2001**	**2002**	**2001**
	'000	*'000*	*HK$'000*	*HK$'000*
Authorised:				
Ordinary shares of $0.1 each	3,000,000	3,000,000	300,000	300,000
Issued and fully paid:				
Ordinary shares of $0.1 each	1,319,727	1,319,727	131,973	131,973

28. RESERVES

(a) The Group

	Share premium	Revaluation reserve	General reserve	Capital reserve	PRC statutory reserves (Notes (c) & (d))	Exchange translation reserve	Accumulated losses	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1st January, 2001	800,030	6,992	15,600	7,337	61,653	2,509	(520,366)	373,755
Transfer to PRC statutory reserves	–	–	–	–	1,093	–	(1,093)	–
Reclassification of reserves	–	–	–	–	641	–	(641)	–
Impairment in value of land and buildings	–	(6,496)	–	–	–	–	–	(6,496)
Exchange differences on consolidation	–	–	–	–	–	368	–	368
Loss for the year	–	–	–	–	–	–	(863,008)	(863,008)
At 31st December, 2001	800,030	496	15,600	7,337	63,387	2,877	(1,385,108)	(495,381)
Transfer to PRC statutory reserves	–	–	–	–	1,035	–	(1,035)	–
Deconsolidation of a subsidiary under liquidation	–	–	–	(7,337)	–	–	–	(7,337)
Profit for the year	–	–	–	–	–	–	19,676	19,676
At 31st December, 2002	800,030	496	15,600	–	64,422	2,877	(1,366,467)	(483,042)
At 31st December, 2001								
Company and subsidiaries	800,030	496	15,600	7,337	63,387	2,877	(1,131,108)	(241,381)
Associated companies	–	–	–	–	–	–	(254,000)	(254,000)
	800,030	496	15,600	7,337	63,387	2,877	(1,385,108)	(495,381)
At 31st December, 2002								
Company and subsidiaries	800,030	496	15,600	–	64,422	2,877	(1,104,467)	(221,042)
Associated companies	–	–	–	–	–	–	(262,000)	(262,000)
	800,030	496	15,600	–	64,422	2,877	(1,366,467)	(483,042)

(b) The Company

	Share premium	Revaluation reserve	General reserve	Accumulated losses	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1st January, 2001	800,030	4,951	15,600	(519,968)	300,613
Impairment in value of land and buildings	–	(4,951)	–	–	(4,951)
Loss for the year	–	–	–	(699,597)	(699,597)
At 31st December, 2001	800,030	–	15,600	(1,219,565)	(403,935)
Loss for the year	–	–	–	(52,082)	(52,082)
At 31st December, 2002	800,030	–	15,600	(1,271,647)	(456,017)

The Company had no reserve (2001: Nil) available for distribution as at 31st December, 2002.

(c) According to the Articles of Association of PRC subsidiaries of the Group, they are required to transfer 5% of their net profits as stated in the accounts prepared under PRC accounting regulations to the statutory enterprise 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 shareholders.

The statutory enterprise expansion reserve shall only be sued to make up losses, to expand the PRC subsidiaries' production operations, or to increase the capital of the subsidiaries. Upon approval by a resolution of shareholders' general meeting, the subsidiaries may convert their statutory enterprise expansion reserve into share capital and issue bonus shares to existing shareholders in proportion to their existing shareholdings or increase the nominal value of each share. After converting the subsidiaries' statutory enterprise expansion reserve into capital, the balance of such reserve must not be less than 25% of the registered capital.

(d) According to the Articles of Association of PRC subsidiaries of the Group, they are required to transfer 5% of their net profits as stated in the accounts prepared under PRC accounting regulations to the statutory general reserve. The transfer to this reserve must be made before the distribution of dividend to shareholders.

29. DEFERRED INCOME

Deferred income of the Group represents government grants obtained from PRC government of approximately HK$28,302,000 (2001: Nil) for the purchase of certain plant and machinery of the Group.

30. RETIREMENT SCHEMES

The Group provides retirement benefits to all Hong Kong eligible employees under the Mandatory Provident Fund (the "MPF Scheme"). Under the MPF Scheme, the Group and their employees make monthly contributions to the MPF Scheme at 5% of the employees' salaries as defined under the Mandatory Provident Fund legislation. Contributions of both the Hong Kong subsidiaries and their employees are subject to a maximum of HK$1,000 per month and thereafter contributions are voluntary and are not subject to any limitation. The MPF Scheme is administered by an independent trustee and its assets are held separately from those of the Group.

The employees of the Company's subsidiaries in the PRC are members of retirement schemes operated by the local authorities. The subsidiaries are required to contribute a certain percentage of their employees' salaries to these schemes to fund the benefits. The only obligation of the Group with respect to these schemes is the required contributions under the schemes.

The Group's total contributions to these schemes during the year ended 31st December, 2002 amounted to approximately HK$6,845,000 (2001: HK$10,922,000). The amount of forfeited contributions for the year amounted to approximately HK$144,000 (2001: HK$Nil).

31. SHARE OPTION SCHEME

Pursuant to members' resolutions passed at an extraordinary general meeting of the Company held on 25th November, 1994, a share option scheme was approved and adopted by the Company. The Board of Directors is authorised to grant options to directors and employees of the Company and any of its subsidiaries to subscribe for shares not exceeding in total of 10% of the Company's issued share capital at the date of the grant of the options. The Company is now in the process of revising the terms of the scheme to ensure compliance of the new requirements on share option schemes introduced by The Stock Exchange of Hong Kong Limited on 1st September, 2001.

There were no options granted or outstanding during the year.

32. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of profit/(loss) before taxation to net cash generated from operating activities

	2002	**2001**
	HK$'000	*HK$'000*
Profit/(Loss) before taxation	27,504	(877,668)
Share of profits and losses of associates	(5,851)	41,965
Depreciation	53,500	87,315
Amortisation of intangible assets	–	880
Interest income	(391)	(2,555)
Interest expense	52,084	58,325
Dividend income from investment securities	–	(27)
Gain on liquidation of an associate	–	(1,391)
Loss on disposal of fixed assets	769	884
Loss on disposal of construction in progress	–	7
Gain on disposal of investment securities	–	(1,934)
Gain on deconsolidation of a subsidiary under liquidation	(29,754)	–
Provision for impairment in value of fixed assets (other than land and buildings)	1,882	36,745
Provision for impairment in value of land and buildings	1,458	12,544
(Reversal of provision)/Provision for impairment in value of investment securities	(99)	594
Provision for impairment in value of intangible assets	–	1,613
Provision for bad and doubtful debts	22,691	591,919
(Reversal of provision)/Provision for compensation in respect of outstanding claims and litigations	(6,829)	16,256
(Reversal of provision)/Provision for foreseeable loss on a long-term purchase contract	(43,806)	56,040
(Reversal of provision)/Provision for inventory obsolescence	(338)	8,089
(Decrease)/Increase in provision for taxation	(3,206)	2,244
Exchange adjustments	–	289
Operating profit before working capital changes	69,614	32,134
Decrease in net amounts due from associates	13,313	28,073
Decrease/(Increase) in inventories	42,523	(5,504)
(Increase)/Decrease in trade receivables, prepayments and other receivables	(66,489)	49,255
Increase/(Decrease) in trade payables and accrued charges	1,670	(18,130)
Utilisation of provision for foreseeable loss on a long-term purchase contract	(12,234)	–
Increase/(Decrease) in bills payable	21,698	(11,106)
Net cash inflow generated from operations	70,095	74,722

(b) Analysis of changes in financing

	Bank loans Short-term HK$'000	Bank loans Long-term HK$'000	Amount due to a shareholder HK$'000	2002 Amounts due to related companies HK$'000	Amounts due to minority investors HK$'000	Deferred income HK$'000	Total HK$'000
At 1st January	613,244	147,170	7,316	50,395	36,435	–	854,560
Proceeds from new bank loans	8,990	78,302	–	–	–	–	87,292
Repayment of bank loans	(39,740)	–	–	–	–	–	(39,740)
Reclassification of bank loans	49,057	(49,057)	–	–	–	–	–
Decrease in amount due to a shareholder	–	–	(2,838)	–	–	–	(2,838)
Decrease in amounts due to related companies	–	–	–	(1,349)	–	–	(1,349)
Interest accrued on an amount due to a related company	–	–	–	1,010	–	–	1,010
Decrease in amounts due to minority investors	–	–	–	–	(6,248)	–	(6,248)
Proceeds from government grants	–	–	–	–	–	28,302	28,302
At 31st December	631,551	176,415	4,478	50,056	30,187	28,302	920,989

(c) Deconsolidation of a subsidiary under liquidation

	2002 HK$'000	2001 HK$'000
Net liabilities disposed		
Cash and bank deposits	27	–
Creditors and accrued charges	(1,783)	–
Provisions	(20,661)	–
	(22,417)	–
Negative goodwill	(7,337)	–
Gain on deconsolidation of a subsidiary under liquidation	(29,754)	–

	2002 HK$'000	2001 HK$'000
Analysis of the net outflow in respect of the deconsolidation of a subsidiary under liquidation:		
Cash and bank deposits disposed	(27)	–

33. CONTINGENT LIABILITIES

(a) As at 31st December, 2002, the Company provided corporate guarantees to a financial institution in respect of banking facilities extended to an associate amounting to approximately HK$23,585,000 (2001: HK$23,585,000).

(b) As at 31st December, 2002, the Company had unsettled tax payables in respect of certain properties in the PRC which may result in additional charges. No provision has been made by the Group since the amount of additional charges, if any, cannot be reliably determined. The directors are of the opinion that the potential additional charges will not exceed HK$4,000,000 (2001: HK$12,000,000).

34. COMMITMENTS

(a) Operating leases

As at 31st December, 2002, the Group's commitments in respect of rented premises under non-cancellable operating leases amounted to approximately HK$520,000 (2001: HK$1,205,000). Details of the total future minimum lease payments under non-cancellable operating leases are as follows:

	The Group	
	2002	**2001**
	HK$'000	*HK$'000*
Total future minimum lease payments payable:		
Within one year	260	646
After one year but within five years	260	559
	520	1,205

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

	The Group	
	2002	**2001**
	HK$'000	*HK$'000*
Authorised and contracted for	134,675	14,223
Authorised but not contracted for	79,027	240,462
	213,702	254,685

35. RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

Other than as disclosed in note 22, material transactions with related parties during the year are as follows:

	The Group	
	2002	**2001**
	HK$'000	*HK$'000*
Sales of nonferrous metals to an associate	–	23,201
Purchases of nonferrous metals from an associate	91,654	138,679
Interest expense paid to related companies	1,010	1,416
Management fees paid to a shareholder	–	2,291
Rental income received from an associate	283	–

In the opinion of the directors, the related party transactions described above were carried out in the ordinary course of business.

36. APPROVAL OF ACCOUNTS

The accounts were approved and authorised for issue by the Board of Directors on 17th April, 2003.

UNAUDITED CONSOLIDATED INTERIM RESULTS OF THE GROUP FOR THE SIX MONTHS ENDED 30TH JUNE, 2003

Set out below is a summary of the unaudited condensed consolidated profit and loss accounts, condensed consolidated balance sheets, condensed consolidated cash flows statements and notes to the accounts of the Group as extracted from the interim report of the Company for the six months ended 30th June, 2003 which was published on 25th September, 2003:

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

		Six months ended 30th June,	
		2003	**2002**
		(Unaudited)	**(Unaudited)**
	Note	*HK$'000*	*HK$'000*
Turnover	*3*	643,927	419,642
Cost of sales		(545,966)	(371,398)
Gross profit		97,961	48,244
Other revenues	*3*	3,171	1,376
		101,132	49,620
Selling expenses		(20,483)	(14,504)
Administrative expenses		(31,163)	(29,640)
Other operating (expenses)/income	*4*	(10,741)	4,463
Profit from operations		38,745	9,939
Finance costs		(21,962)	(25,461)
		16,783	(15,522)
Share of profits less losses of associates		3,625	2,896
Profit/(Loss) before taxation	*5*	20,408	(12,626)
Taxation	*6*	12,048	(2,629)
Profit/(Loss) after taxation		32,456	(15,255)
Minority interests		(4,693)	(146)
Profit/(Loss) attributable to shareholders		27,763	(15,401)
Interim dividend	*7*	–	–
Profit/(Loss) for the period		27,763	(15,401)
Earnings/(Loss) per share	*8*		
– Basic		2.10 cents	(1.17 cents)
– Diluted		–	–

CONDENSED CONSOLIDATED BALANCE SHEET

	Note	30th June, 2003 (Unaudited) HK$'000	31st December, 2002 (Audited) HK$'000
Non-current assets			
Fixed assets	9	308,104	331,871
Construction in progress	9	162,762	84,892
Interests in associates		49,456	64,981
Investments in securities		2,167	2,146
Long-term receivables		6,226	6,226
Deferred tax assets	10	14,943	–
		543,658	490,116
Current assets			
Inventories		151,328	208,155
Trade receivables, prepayments and other receivables	11	342,968	201,090
Taxation recoverable		1,869	1,516
Pledged bank deposits		1,620	3,056
Cash and bank deposits		91,279	95,810
		589,064	509,627
Current liabilities			
Trade payables and accrued charges	12	266,329	211,154
Bills payable		39,339	29,245
Amount due to a shareholder		4,478	4,478
Amount due to a related company		50,784	50,056
Amount due to an associate		17,058	12,381
Amounts due to minority investors		30,187	30,187
Taxation payable		9,542	9,721
Provisions		8,223	9,315
Bank loans	13	688,581	631,551
		1,114,521	988,088
Net current liabilities		(525,457)	(478,461)
Total assets less current liabilities		18,201	11,655
Financed by:			
Share capital		131,973	131,973
Reserves		(455,279)	(483,042)
Deficit on shareholders' funds		(323,306)	(351,069)
Minority interests		160,375	158,007
Non-current liabilities			
Bank loans	13	152,830	176,415
Deferred income		28,302	28,302
		181,132	204,717
		18,201	11,655

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Six months ended 30th June,	
	2003	2002
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Net cash generated from/(used in) operating activities	39,531	(12,656)
Net cash used in investing activities	(75,182)	(44,397)
Net cash generated from financing activities	31,120	77,095
Net (decrease)/increase in cash and cash equivalents	(4,531)	20,042
Cash and cash equivalents at 1st January	95,810	56,417
Cash and cash equivalents at 30th June	91,279	76,459

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Six months ended 30th June, 2003 (Unaudited)

	Share capital	Share premium	Revaluation reserve	General reserve	PRC statutory reserve	Exchange translation reserve	Accu-mulated losses	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
1st January, 2003	131,973	800,030	496	15,600	64,422	2,877	(1,366,467)	(351,069)
Net profit for the period	–	–	–	–	–	–	27,763	27,763
Transfer to PRC statutory reserve	–	–	–	–	970	–	(970)	–
30th June, 2003	131,973	800,030	496	15,600	65,392	2,877	(1,339,674)	(323,306)

Six months ended 30th June, 2002 (Unaudited)

	Share capital	Share premium	Revaluation reserve	General reserve	Capital reserve	PRC statutory reserve	Exchange translation reserve	Accu-mulated losses	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
1st January, 2002	131,973	800,030	496	15,600	7,337	63,387	2,877	(1,385,108)	(363,408)
Net loss for the period	–	–	–	–	–	–	–	(15,401)	(15,401)
Transfer to PRC statutory reserve	–	–	–	–	–	1,022	–	(1,022)	–
30th June, 2002	131,973	800,030	496	15,600	7,337	64,409	2,877	(1,401,531)	(378,809)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM ACCOUNTS

1. ACCOUNTING POLICIES

The condensed consolidated interim accounts are prepared in accordance with Hong Kong Statement of Standard Accounting Practice ("SSAP") 25 "Interim Financial Reporting" and the disclosure requirements set out in Appendix 16 of the Rules Governing the Listing of Securities ("Listing Rules") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The accounting policies and basis of preparation used in preparing the interim accounts are consistent with those used in the audited accounts for the year ended 31st December, 2002 except that the Group has adopted 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.

On adoption of the revised SSAP 12, deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the accounts. Taxation rates enacted or substantively enacted by the balance sheet date are used to determine deferred taxation.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

In prior year, deferred taxation was accounted for at the current taxation rate in respect of timing differences between profit as computed for taxation purposes and profit as stated in the accounts to the extent that a liability or an asset was expected to be payable or recoverable in the foreseeable future. Since the adoption of this revised SSAP had no material impact on the Group's accounts in prior accounting periods, comparative figures have not been restated.

2. GOING CONCERN BASIS

As stated in the 2002 annual report, in view of the Group's net current liabilities position, its deficit on shareholders' funds and the substantial amount of overdue bank loans, there is doubt about the Group's ability to continue as a going concern.

However, having considered the possible debts acquisition and subscription of new shares as proposed by China Minmetals H.K. (Holdings) Limited (details of which and the update of the progress have been published in the Company's announcements dated 28th May, 2003 and 19th August, 2003), the directors and management are optimistic regarding the Group's debts restructuring work. If the Group's restructuring can be successfully implemented, the Group's future operations can be maintained and new funding can be obtained to meet the Group's financial obligations as they fall due. Accordingly, the accounts have been prepared on the going concern basis.

3. SEGMENT INFORMATION

(a) By business segments

The Group's operations comprise the following main business segments:

Trading	:	Trading of nonferrous metals
Aluminium refinery	:	Production and sales of aluminium foil, extrusions, aluminium cans, containers and packaging products
Copper refinery and smelters	:	Production and sales of plica tubes, copper rods, copper wires, copper cathodes and copper blisters

	Six months ended 30th June, (Unaudited)									
	Trading		Aluminium refinery		Copper refinery and smelters		Corporate and others		Total	
	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue										
Sales of nonferrous metals	116,708	–	512,125	388,861	15,094	30,781	–	–	643,927	419,642
Other revenues	1,169	–	1,120	1,022	416	337	466	17	3,171	1,376
Results										
Segment results	37,854	(5,677)	17,843	20,358	2,764	2,852	(19,716)	(7,594)	38,745	9,939
Finance costs									(21,962)	(25,461)
Share of profits less losses of associates									3,625	2,896
Taxation									12,048	(2,629)
Minority interests									(4,693)	(146)
Profit/(Loss) attribute to shareholders									27,763	(15,401)

(b) By geographical segments

The Group's activities are conducted predominately in Hong Kong and Mainland China. In presenting information on the basis of geographical segments, segment revenues are based on the geographical location of customers.

	Six months ended 30th June, (Unaudited)			
	Turnover		Contribution to gross profit	
	2003	2002	2003	2002
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Mainland China	550,905	405,259	68,518	46,441
Hong Kong and others	93,022	14,383	29,443	1,803
	643,927	419,642	97,961	48,244

4. OTHER OPERATING (EXPENSES)/INCOME

	Six months ended 30th June,	
	2003 (Unaudited)	2002 (Unaudited)
	HK$'000	*HK$'000*
Provision for bad and doubtful debts	(11,854)	–
Reversal of provision for outstanding claims	1,092	–
Reversal of provision for impairment in value of investments in securities	21	–
Reversal of provision in respect of a resolved litigation	–	9,453
Provision for foreseeable loss on a long-term purchase contract	–	(4,990)
	(10,741)	4,463

5. PROFIT/(LOSS) BEFORE TAXATION

Profit/(Loss) before taxation is determined after charging and crediting the followings:

	Six months ended 30th June, 2003 (Unaudited) *HK$'000*	2002 (Unaudited) *HK$'000*
Charging:		
Depreciation	24,034	24,174
Loss on disposal of fixed assets	–	22
Staff costs (including pension costs of HK$3,499,000 (2002: HK$3,751,000) and directors' emoluments)	28,660	27,384
Operating lease rentals on land and buildings	329	323
Exchange loss, net	39	4
Crediting:		
Interest income	356	190
Gain on disposal of fixed assets	3	–
Waiver of director's emoluments	650	–

6. TAXATION

	Six months ended 30th June, 2003 (Unaudited) *HK$'000*	2002 (Unaudited) *HK$'000*
Current tax		
People's Republic of China (''PRC'') Enterprise Income Tax	(2,653)	(1,824)
Deferred taxation relating to the origination and reversal of temporary differences	14,943	–
Share of taxation attributable to associates	(242)	(805)
	12,048	(2,629)

No provision for Hong Kong profits tax has been made for Hong Kong companies within the Group as all Hong Kong companies had no assessable profit for the period.

In accordance with relevant income tax 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 for the next three years thereafter.

The tax exemption and reduction period of one of the PRC subsidiaries expired and it is currently subject to Enterprise Income Tax at a rate of 33%. Another PRC subsidiary still enjoys a 50% reduction in the tax rate. All other PRC subsidiaries enjoy full tax exemption for the period.

7. INTERIM DIVIDEND

The directors do not recommend the payment of interim dividend for the six months ended 30th June, 2003 (2002: Nil).

8. EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings/(loss) per share is based on the Group's profit attributable to shareholders of approximately HK$27,763,000 (2002: loss of HK$15,401,000) and the weighted average of 1,319,726,950 ordinary shares (2002: 1,319,726,950 ordinary shares) in issue during the period.

No disclosure of diluted earnings/(loss) per share has been made as there was no potential dilutive shares in existence in 2003 and 2002.

9. CAPITAL EXPENDITURE

	Construction in progress (Unaudited)	Fixed assets (Unaudited)
	HK$'000	*HK$'000*
Net book value at 1st January, 2003	84,892	331,871
Additions	78,016	152
Disposals	–	(423)
Transferred from construction in progress to fixed assets	(146)	146
Depreciation	–	(24,034)
Depreciation written back on disposals	–	392
Net book value at 30th June, 2003	162,762	308,104

10. DEFERRED TAX ASSETS

The movement in deferred tax assets during the period is as follows:

	Impairment of assets		Tax losses		Others		Total	
	2003 (Unaudited)	2002 (Audited)	2003 (Unaudited)	2002 (Audited)	2003 (Unaudited)	2002 (Audited)	2003 (Unaudited)	2002 (Audited)
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January	–	–	–	–	–	–	–	–
Credited to profit and loss account	4,032	–	10,281	–	630	–	14,943	–
At 30th June, 2003/ 31st December, 2002	4,032	–	10,281	–	630	–	14,943	–

11. TRADE RECEIVABLES, PREPAYMENTS AND OTHER RECEIVABLES

The Group normally grants a credit period of 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$315,277,000 (2002: HK$174,974,000). An aging analysis of such trade receivables is shown as follows:

	30th June, 2003 (Unaudited)		31st December, 2002 (Audited)	
	HK$'000	*%*	*HK$'000*	*%*
Less than 6 months	308,762	98	172,302	98
6 months – 1 year	6,264	2	2,553	2
1 – 2 years	251	–	119	–
Over 2 years	–	–	–	–
	315,277	100	174,974	100

12. TRADE PAYABLES AND ACCRUED CHARGES

Included in the Group's trade payables and accrued charges are trade payables balance of approximately HK$126,985,000 (2002: HK$76,305,000). An aging analysis of such trade payables is shown as follows:

	30th June, 2003 (Unaudited)		31st December, 2002 (Audited)	
	HK$'000	*%*	*HK$'000*	*%*
Less than 6 months	114,757	90	64,100	84
6 months – 1 year	1,395	1	1,671	2
1 – 2 years	13	–	4	–
Over 2 years	10,820	9	10,530	14
	126,985	100	76,305	100

13. BANK LOANS

Certain bank loans of approximately HK$387,000,000 (2002: HK$389,000,000) are overdue and have been included under current liabilities as at 30th June, 2003.

14. CONTINGENT LIABILITIES

As at 30th June, 2003, the Group had contingent liabilities in respect of the following:

(a) The Company provided corporate guarantees to a financial institution in respect of banking facilities extended to an associate amounting to approximately HK$23,585,000 (2002: HK$23,585,000).

(b) The Group had unsettled tax payables in respect of certain properties in the PRC 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. The directors are of the opinion that the potential additional charges are not expected to exceed HK$4,000,000 (2002: HK$4,000,000).

(c) The Group had contingent liabilities in respect of trade bills discounted with recourse of approximately HK$48,849,000 (2002: Nil).

15. COMMITMENTS

(a) Operating leases

As at 30th June, 2003, the Group's commitments in respect of rented premises under non-cancellable operating leases amounted to approximately HK$412,000 (2002: HK$520,000). Details of the total future minimum lease payments under non-cancellable operating leases are as follows:

	30th June, 2003 (Unaudited)	31st December, 2002 (Audited)
	HK$'000	*HK$'000*
Total future minimum lease payments payable:		
Within one year	260	260
After one year but within five years	152	260
	412	520

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

	30th June, 2003 (Unaudited) *HK$'000*	**31st December, 2002 (Audited)** *HK$'000*
Authorised and contracted for	24,717	134,675
Authorised but not contracted for	111,716	79,027
	136,433	213,702

16. RELATED PARTY TRANSACTIONS

(a) During the period, the Group entered into the following material transactions with related parties in the ordinary course of business:

	Six months ended 30th June, 2003 (Unaudited) *HK$'000*	**2002 (Unaudited)** *HK$'000*
Purchases of nonferrous metals from an associate	51,961	66,051
Interest expense paid to a related company	479	508
Rental income received from an associate	127	142

(b) The amounts due to a shareholder and a related company are unsecured and repayable on demand. Except for an amount due to a related company of approximately HK$28,066,000 (2002: HK$27,336,000) which bears interest at prevailing market rate, all outstanding balances are interest free.

17. FINANCIAL ASSISTANCE AND GUARANTEE TO ASSOCIATES

As at 30th June, 2003, the Group's financial assistance to, and guarantee given for a bank loan granted to its associates amounted to, in aggregate, approximately HK$36 million (net of provision of approximately HK$117 million), representing more than 25% of the net assets value of the Group as at 30th June, 2003 (The Group is in net liabilities). Disclosure should be made in accordance with the Practice Note Number 19 of the Listing Rules.

A proforma combined balance sheet of the above mentioned associates as at 31st August, 2003 (being the latest practicable date for this report) is set out below:

	Proforma combined balance *HK$ million*	**The Group's attributable interests** *HK$ million*
Non-current assets	139	35
Current assets	258	64
Current liabilities	(274)	(68)
Net current liabilities	(16)	(4)
Net assets	123	31
Share capital	94	24
Reserves	29	7
	123	31

All the above figures are unaudited.

SHARE CAPITAL

The authorised and issued share capital of the Company as at the Latest Practicable Date were as follows:

Authorised:		*HK$*
3,000,000,000	Existing Shares	300,000,000
Issued and fully paid:		
1,319,727,000	Existing Shares	131,972,700

All of the Existing Shares currently in issue rank pari passu in all respects with each other, including, in particular, as to dividends, voting rights and capital. No Shares have been issued since 31st December, 2002 (the date to which the latest audited financial statements of the Group were made up) up to the Latest Practicable Date.

The Shares are listed on the Stock Exchange and none of the securities of the Company are listed or dealt in on any other stock exchange and no such listing or permission to deal is being or is proposed to be sought.

The Company did not have any convertible securities, options or warrants or conversion rights affecting shares in the Company in issue as at the Latest Practicable Date.

STATEMENT OF INDEBTEDNESS

Borrowings

As at the close of business on 30th September, 2003, being the latest practicable date for the purpose of this indebtedness statement, the Group had outstanding bank borrowings of approximately HK$802,161,000 (which comprised secured bank loans of approximately HK$380,821,000 and unsecured bank loans of approximately HK$421,340,000), amounts due to a related company of approximately HK$50,970,000, amounts due to minority investors of approximately HK$22,379,000 and obligations under finance leases of approximately HK$35,000.

Securities and charges

As at the close of business on 30th September, 2003, the Group's bank borrowings were secured by (i) a corporate guarantee given by a shareholder of the Company; (ii) certain fixed assets and bank deposits of the Group; and (iii) corporate guarantees given by certain minority investors and a third party.

Contingent liabilities

As at 30th September, 2003, the Group had contingent liabilities in respect of the following:

(a) The Company provided corporate guarantees to a financial institution in respect of banking facilities extended to an associate amounting to approximately HK$23,585,000.

(b) The Group had unsettled tax payables in respect of certain properties in the PRC 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.

(c) The Group had contingent liabilities in respect of trade bills discounted with recourse of approximately HK$6,984,000.

Save as aforesaid and apart from intra-group liabilities and trade payables, no companies within the Group had, at the close of business on 30th September, 2003, any outstanding loan capital issued or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, obligations under finance leases, guarantees, or other material contingent liabilities.

For the purpose of the above statement of indebtedness, foreign currency amounts have been translated into Hong Kong dollars at the rates of exchange prevailing at the close of business on 30th September, 2003.

MATERIAL CHANGE

Save as disclosed in the unaudited interim results of the Group for the six months ended 30th June, 2003, the Directors are not aware of any material change in the financial or trading position or prospects of the Group since 31st December, 2002, the date to which the latest published audited accounts of the Group were made up.

Pro Forma Statement of Unaudited Adjusted Consolidated Net Tangible Assets of the Group

Set out below is a pro-forma statement of the unaudited adjusted consolidated net tangible assets of the Group immediately following completion of the Restructuring Proposal, based on the audited consolidated balance sheet of the Group as at 31st December, 2002 and adjusted as follows:

	HK$'000	*HK$'000*
Audited consolidated net liabilities of the Group as at 31st December, 2002		(351,069)
Add: Unaudited profit attributable to shareholders for the six months ended 30th June, 2003		27,763
Unaudited consolidated net liabilities of the Group as at 30th June, 2003		(323,306)
Add: Reduction in liabilities of the Group as at 30th June, 2003 as a result of the Restructuring Proposal		
CNMG Debt	4,478	
CNMF Debt	40,064	
Bank Debts	378,376	
Bank interest waived	35,413	
		458,331
Unaudited pro-forma consolidated net tangible assets of the Group upon completion of the Restructuring Proposal		135,025
Unaudited pro-forma consolidated net liabilities per Existing Share before completion of the Restructuring Proposal (based on a total of 1,319,726,950 Existing Shares in issue as at the Latest Practicable Date)		(HK$0.24)
Unaudited pro-forma consolidated net tangible assets per New Share upon completion of the Restructuring Proposal (based on a total of 607,349,612 New Shares in issue)		HK$0.22

Working capital

The Directors are of the opinion that, taking into account the internal resources of the Group, the present available banking facilities and on the assumption that the reduction in liabilities as a result of the Restructuring Proposal will be successful, the Group has sufficient working capital for its present requirements.

Set forth below is the text of the letters received by the Directors from PricewaterhouseCoopers, the auditors of the Company, and REXCAPITAL (Hong Kong), the financial adviser to the Company, in connection with the estimate of gross profit to be recognised by the Group in the Group's accounts for the year ending 31st December, 2003.

PRICEWATERHOUSECOOPERS

羅兵咸永道會計師事務所

PricewaterhouseCoopers
22nd Floor Prince's Building
Central Hong Kong
Telephone (852) 2289 8888
Facsimile (852) 2810 9888

6th November, 2003

The Directors
Oriental Metals (Holdings) Company Limited
REXCAPITAL (Hong Kong) Limited

Dear Sirs,

We have performed certain procedures on the statement made by the directors of Oriental Metals (Holdings) Company Limited (the "Company") regarding the estimate of gross profit to be recognised by the Company and its subsidiaries (the "Group") in the Group's accounts for the year ending 31st December, 2003 as a result of the completion of contracts (a) to (c) under the paragraph headed "Connected transactions" as set out in the letter from the board in the Company's circular dated 6th November, 2003 (the "Estimate").

The preparation of the Estimate is the sole responsibility of the directors of the Company. Our responsibility is to report on the results of our procedures.

Our procedures consisted of the following:

(a) Enquires of the directors of the Company as to the accounting policies adopted in the preparation of the Estimate;

(b) A comparison of and a check of consistency of the accounting policies adopted in the preparation of the Estimate with those adopted in the preparation of the audited accounts of the Group for the year ended 31st December, 2002; and

(c) A check of the arithmetical calculations relating to the gross profit to be recognised by the Group as a result of the completion of those contracts.

The procedures do not constitute an audit or a review performed in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants and, accordingly, we do not express an audit or a review opinion on the Estimate.

Based on our procedures performed, so far as the accounting policies and calculations are concerned, the Estimate has been compiled on a basis, in all material respects, consistent with the accounting policies normally adopted by the Group, as set out in the audited annual accounts of the Group for the year ended 31st December, 2002.

Yours faithfully,
PricewaterhouseCoopers
Certified Public Accountants
Hong Kong

御泰融資(香港)有限公司
REXCAPITAL (Hong Kong) Limited
(Subsidiary of REXCAPITAL International Holdings Limited)

6th November, 2003

The Directors
Oriental Metals (Holdings) Company Limited

Dear Sirs,

We refer to the statement made by the directors (the "Directors") of Oriental Metals (Holdings) Company Limited (the "Company") regarding the estimate (the "Estimate") of gross profit to be recognised by the Company and its subsidiaries for the year ending 31st December, 2003 as a result of completion of contracts (a) to (c) under the paragraph headed "Connected transactions" as set out in the letter from the board in the Company's circular dated 6th November, 2003.

We have discussed with you the accounting policies and calculations upon which the Estimate has been compiled. We have also considered, and relied upon, the letter dated 6th November, 2003 addressed to yourselves and ourselves from PricewaterhouseCoopers (the "Auditors"), the auditors of the Company, regarding the accounting policies and calculations upon which the Estimate has been compiled.

On the basis of the foregoing and the accounting policies and calculations reviewed by the Auditors, we are of the opinion that the Estimate, for which you as the Directors are solely responsible, has been made with due and careful consideration.

Yours faithfully,
For and on behalf of
REXCAPITAL (Hong Kong) Limited
Philip Chau
Director

This is an explanatory statement, as required by the Listing Rules, to provide the requisite information to you for your consideration of the proposal to permit the repurchase of shares up to a 10% of the issued share capital of the Company as enlarged by the issue of the Subscription Shares. For the purpose of this explanatory statement, "share(s)" is defined in the Takeovers Code to mean shares of all classes and securities which carry a right to subscribe or purchase shares.

SHARE CAPITAL

As at the Latest Practicable Date, there were in issue an aggregate of 1,319,726,950 Existing Shares. Immediately upon completion of the Subscription, there will be in issue an aggregate of 607,349,612 New Shares. Subject to the passing of the Repurchase Resolution and on the basis that no further shares will be issued and repurchased prior to the date of the EGM, exercise in full of the mandate will allow the Company to repurchase a maximum of 60,734,961 New Shares during the period ending on the earliest of the date of the next annual general meeting of the Company, the date by which the next annual general meeting of the Company is required to be held by law or the date upon which such authority is revoked or varied by an ordinary resolution of the Shareholders in a general meeting of the Company.

REASONS FOR REPURCHASE

As at the Latest Practicable Date, the Directors have no intention to repurchase any shares but consider that the general mandate will provide the Company the flexibility to do so if and when appropriate. The number(s) of shares to be repurchased on any occasion and the price and other terms upon which the same are repurchased will be decided by the Directors at the relevant time having regard to the circumstances then prevailing. There could be an adverse impact on the working capital or gearing position of the Company (as compared to the position disclosed in its most recent audited accounts for the year ended 31st December, 2002) in the event that the general mandate were exercised in full at any time during the proposed repurchase period. However, the Directors do not propose to exercise the general mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital of the Company or the gearing level which in the opinion of the Directors is from time to time appropriate for the Company.

FUNDING OF REPURCHASE

The funds required for any repurchase would be derived from the distributable profits of the Company legally available for such purpose in accordance with the Company's constitutive documents and the laws of Hong Kong.

DIRECTORS AND THEIR ASSOCIATES

As at the Latest Practicable Date, there were no Directors or (to the best of the knowledge of the Directors after having made all reasonable enquiries) any Associates of the Directors who have a present intention, in the event that the general mandate is granted by the Shareholders, to sell shares to the Company.

UNDERTAKING OF THE DIRECTORS

The Directors have undertaken to the Stock Exchange to exercise the power of the Company to make repurchases pursuant to the Repurchase Resolution in accordance with the Listing Rules and the laws of Hong Kong.

EFFECT OF THE TAKEOVERS CODE

The Directors are of the opinion that there are no consequences which will arise under the Takeovers Code as a result of any purchases pursuant to the general mandate. However, if as a result of a repurchase of shares, a Shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for the purposes of the Takeovers Code. Accordingly, a Shareholder or group of Shareholders acting in concert could obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code.

Immediately after completion of the Subscription and assuming that no further Existing Shares are issued prior to such completion, Coppermine will be beneficially interested in approximately 78.3% of the enlarged issued share capital of the Company. In the circumstances, if the Directors exercise in full the power to repurchase shares which is proposed to be granted pursuant to the Repurchase Resolution, the shareholding of Coppermine will be increased to approximately 86.97% of the then issued share capital of the Company.

SHARE REPURCHASE MADE BY THE COMPANY

No purchase has been made by the Company in respect of any of its shares in the six months prior to the Latest Practicable Date before the printing of this circular.

CONNECTED PERSONS

No connected persons (as defined in the Listing Rules) of the Company have notified the Company of a present intention to sell shares to the Company and no such persons have undertaken not to sell shares to the Company in the event that the general mandate is granted by the Shareholders.

SHARE PRICES

The highest and lowest prices at which the Existing Shares were traded on the Stock Exchange in each of the previous twelve months are as follows:

	Highest *(HK$)*	**Lowest** *(HK$)*
2002		
November	0.096	0.083
December	0.108	0.087
2003		
January	0.099	0.088
February	0.166	0.103
March	0.169	0.127
April	0.150	0.130
May	0.214	0.132
June	0.229	0.199
July	0.218	0.195
August	0.265	0.233
September	0.315	0.245
October	0.335	0.250

1. RESPONSIBILITY STATEMENT

The directors of Minmetals HK jointly and severally accept full responsibility for the accuracy of the information contained in this circular relating to Minmetals HK, China Minmetals and its subsidiaries, the Debt Purchase, the ONFEM Transaction and the OS/OP Transaction and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this circular relating to Minmetals HK, China Minmetals and its subsidiaries, the Debt Purchase, the ONFEM Transaction and the OS/OP Transaction have been arrived at after due and careful consideration and there are no other facts not contained in this circular the omission of which would make any statement herein misleading.

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

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this circular (other than that relating to Minmetals HK, China Minmetals and its subsidiaries, Coppermine, the ONFEM Transaction, OS/OP Transaction and the Debt Purchase) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this circular (other than that relating to Minmetals HK, China Minmetals and its subsidiaries, Coppermine, the ONFEM Transaction, OS/OP Transaction and the Debt Purchase) have been arrived at after due and careful consideration and there are no other facts not contained in this circular the omission of which would make any statement herein misleading.

2. MARKET PRICES

The table below shows the respective closing prices of the Existing Shares on the Stock Exchange (i) on the last trading day of each of the six calendar months immediately preceding the date of the Announcement; (ii) on 14th October, 2003 (being the last trading day immediately preceding the date of the Announcement); and (iii) on the Latest Practicable Date.

Date	**Price per Existing Share**
	HK$
30th April, 2003	0.130
30th May, 2003	0.214
30th June, 2003	0.200
14th July, 2003	0.218
29th August, 2003	0.250
30th September, 2003	0.315
14th October, 2003	0.310
Latest Practicable Date	0.250

The highest and lowest closing prices of the Existing Shares recorded on the Stock Exchange during the period commencing six months prior to the last trading day prior to the date of the Announcement and up to and including the Latest Practicable Date were HK$0.335 on 17th October, 2003, and HK$0.130 on 30th April, 2003 respectively.

3. DISCLOSURE OF INTERESTS

(a) Interests in the Company

As at the Latest Practicable Date, none of the Directors or the chief executive of the Company or any of their associated corporations (within the meaning of the SFO) which had been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have taken under such provisions of the SFO) had any personal, family, corporate or other interests or short positions in the shares, underlying shares, debentures or other securities of the Company or any of its associated corporations (within the meaning of the SFO) pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, as recorded in the register kept by the Company pursuant to section 352 of the SFO.

(b) Other interest in the Company

As at the Latest Practicable Date,

(i) none of Coppermine, Minmetals HK, China Minmetals, the respective directors of Coppermine and Minmetals HK, the legal representative of China Minmetals and parties acting in concert with any of them had any interest in any securities of the Company other than the transactions contemplated in the Subscription Agreement;

(ii) no person had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with Coppermine or with any person acting in concert with it;

(iii) no person had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or with any person who was an Associate of the Company by virtue of classes (1), (2), (3) and (4) of the definition of associate under the Takeovers Code;

(iv) there were no Existing Shares which were managed on a discretionary basis by fund managers connected with the Company or any member of the Group;

(v) none of the Directors was materially interested in any contract or arrangement subsisting as at the Latest Practicable Date which was significant in relation to the business of the Group taken as a whole;

(vi) no subsidiary or Associate of the Company or any pension fund of the Group had any interests in the Existing Shares;

(vii) none of PwC, Somerley, REXCAPITAL (Hong Kong), BNP Paribas Peregrine and any adviser to the Company as specified in class (2) of the definition of associate under the Takeovers Code had any securities in the Company or its subsidiaries or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in the Company or its subsidiaries.

As at 31st December, 2002, the date to which the latest published audited accounts of the Group were made up, none of the Directors had or had had any direct or indirect material interest in any assets acquired or disposed of by or leased to or by or proposed to be acquired or disposed of by or leased to or by the Group.

(c) Interests in Coppermine

As at the Latest Practicable Date,

(i) none of the Company, its subsidiaries, the Directors and their respective Associates had any interests in the securities of Coppermine;

(ii) no pension funds have been set up by any member of the Group which had any interests in the securities of Coppermine.

4. SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, according to the register of interests kept by the Company under section 336 of the SFO, the following entities had interests in the Existing Shares or underlying Existing Shares of the Company which fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO:

Name of Shareholder	*Notes*	**Number of Existing Shares held**	**Percentage of total issued Existing Shares**
State Nonferrous Metals Industry Administration* ("SNMIA")	*1*	596,044,203	45.16%
China Nonferrous Metal Holdings (Cook Islands) Limited ("CNCI")	*1*	596,044,203	45.16%
CNMG**	*2*	596,044,203	45.16%
Mazar Limited ("Mazar")		288,028,520	21.82%

Notes:

1. Given that (a) CNMG was a wholly owned subsidiary of CNCI and (b) CNCI was a wholly owned subsidiary of SNMIA, these companies are deemed to be interested in the 308,015,683 Existing Shares held by CNMG and the 288,028,520 Existing Shares held by Mazar by virtue of the SFO.

2. Given that Mazar is a wholly owned subsidiary of CNMG, of the 308,015,683 Existing Shares in which CNMG is interested, CNMG was deemed to be interested in the 288,028,520 Existing Shares held by Mazar by virtue of the SFO.

* On 19th February, 2001, the director of the State Economic and Trade Commission of the PRC promulgated that the State Nonferrous Metals Industry Administration of the PRC was cancelled in the course of restructuring of the non-ferrous metals industry of the PRC.

** The Court issued an order for the winding up of CNMG on 8th May, 2002 and ordered that John Lees and Desmond Chiong be appointed liquidators of CNMG on 19th June, 2002.

5. DEALINGS IN SHARES

During the period commencing from the date falling six months prior to the Announcement and up to the Latest Practicable Date:

(a) other than the transactions contemplated in the Subscription Agreement, none of the Directors, Coppermine, Minmetals HK, China Minmetals, the respective directors of Coppermine and Minmetals HK, the legal representative of China Minmetals and parties acting in concert with any of them had dealt for value in the securities of the Company;

(b) none of the subsidiaries of the Company, the pension fund of the Company or of any subsidiary of the Company and any fund managed on a discretionary basis by any fund manager connected with the Company had dealt for value in the securities of the Company;

(c) none of the Directors had dealt for value in the securities of the Company;

(d) none of the Company and the Directors had dealt for value in the securities of Coppermine; and

(e) none of PwC, Somerley, REXCAPITAL (Hong Kong) and BNP Paribas Peregrine had dealt for value in the securities of the Company.

6. EXPERTS

The following are the qualifications of the experts who have given opinions or advice which are contained in this circular:

Name	Qualifications
Somerley	Licensed corporation to conduct type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO
PwC	Certified public accountants
REXCAPITAL (Hong Kong)	Deemed licensed corporation to conduct type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO

7. CONSENTS

Each of the experts referred to in the section headed "Experts" in this appendix has given and has not withdrawn its written consent to the issue of this circular with the inclusion therein of its opinion or letter, as the case may be, and the references to its name, opinion or letter in the form and context in which it respectively appears.

8. LITIGATION

The following litigation or arbitration or claim, which is of material importance, was engaged, pending or threatened by or against the Company or any of its subsidiaries as at the Latest Practicable Date:

On 13th May, 2002, an action was commenced in Hong Kong by the banks of the Syndicated Loan against the Company, Oriental Copper Company Limited and Orienmet Aluminium Company Limited in respect of the outstanding principal and interest due under the Syndicated Loan in the sum of approximately US$14.28 million (approximately HK$111.4 million). The banks obtained summary judgment on 27th January, 2003 against the Company and other defendants but have not levied execution on the judgment.

Upon completion of the Debt Purchase and the Subscription Agreement, the Syndicated Loan will be discharged in full by way of set off against the subscription price of the New Shares subscribed by Coppermine under the Subscription Agreement. As stated in the section headed "Letter from the Board" of this circular, the Subscription consideration of HK$418,331,686.96 will be settled by setting off against the debts to be acquired by Coppermine under the Debt Purchase and Coppermine will waive any Bank Debts purchased by it that may remain owing to it upon completion of the Subscription.

The Company currently has no plan or resources to settle the Syndicated Loan if the Debt Purchase and the Subscription cannot be completed.

Save as disclosed above, as at the Latest Practicable Date, neither the Company nor any of its subsidiaries was engaged in any litigation or arbitration of material importance and so far as the Directors were aware, no litigation or claims of material importance were pending or threatened by or against the Company or any of its subsidiaries.

9. MATERIAL CONTRACTS

The following contract, not being a contract in the ordinary course of business, has been entered into by members of the Group, during the two years preceding the date of the Announcement and is or may be material:

(a) the Subscription Agreement

10. SERVICE AGREEMENTS

There is no existing or proposed service contract between any of the Directors or proposed Directors and the Company or any of its subsidiaries or associated companies other than contracts expiring or determinable by the employer within one year without payment of compensation and not amended within 6 months before the date of the Announcement (other than by statutory compensation).

11. GENERAL

(a) The registered office of the Company is situate at 18th Floor, China Minmetals Tower, 79 Chatham Road South, Tsimshatsui, Kowloon, Hong Kong.

(b) The Registrar and transfer office of the Company in Hong Kong is Computershare Hong Kong Investor Services Limited at Rooms 1901-5, 19th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong.

(c) The company secretary of the Company is Ms. Lucia Leung Suet Kam, ACS and ACIS.

(d) The registered address of Coppermine is situate at the offices of Offshore Incorporations Limited, P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands. The registered address of Minmetals HK is situate at 11th Floor, China Minmetals Tower, 79 Chatham Road South, Tsimshatsui, Kowloon, Hong Kong. The registered address of China Minmetals is situate at No. 5, Sanlihe Road, Haidian District, Beijing, PRC. The correspondence address of Coppermine in Hong Kong and the principal place of business of Minmetals HK are both situate at 11th Floor, China Minmetals Tower, 79 Chatham Road south, Tsimshatsui, Kowloon, Hong Kong and the principal place of business of China Minmetals is situate at No. 5, Sanlihe Road, Haidian District, Beijing, PRC.

(e) The registered office of BNP Paribas Peregrine is situate at 36th Floor, Asia Pacific Finance Tower, 3 Garden Road, Central, Hong Kong.

(f) The registered office of REXCAPITAL (Hong Kong) is situate at 34th Floor, COSCO Tower, Grand Millenium Plaza, 183 Queen's Road Central, Hong Kong.

(g) The registered office of Somerley is situate at Suite 3108, One Exchange Square, 8 Connaught Place, Hong Kong.

(h) Coppermine does not have any intention to transfer any Subscription Shares acquired pursuant to the Subscription Agreement to any other person other than pursuant to any placing arrangements required to maintain the minimum public float of the Company as required under the Listing Rules.

(i) No benefit will be given to any Director as compensation for loss of office or otherwise in connection with the Subscription.

(j) Other than in relation to the Restructuring Proposal disclosed herein, there is no other agreement, arrangement or understanding (including any compensation arrangement) between Coppermine or any person acting in concert with it and any Directors, recent Directors, Shareholders or recent Shareholders of the Company having any connection with or dependent upon the Subscription and the Whitewash Waiver.

(k) There is no agreement or arrangement between any of the Directors and any other person which is conditional on or dependent upon the outcome of the Subscription or the Whitewash Waiver or otherwise connected with the Subscription or the Whitewash Waiver.

(l) The directors of Coppermine are Mr. Lin Xizhong, Mr. Liang Qing and Mr. Qian Wenchao. The directors of Minmetals HK are Mr. Lin Xizhong, Mr. Liang Qing, Mr. Qian Wenchao, Mr. Miao Gengshu and Mr. Zhou Hengbin. China Minmetals is a state-owned enterprise and does not have a board of directors. The legal representative of China Minmetals is Mr. Miao Gengshu.

(m) There is no person who has irrevocably committed themselves to vote for or against the Restructuring Proposal or the Whitewash Waiver.

(n) The English text of this circular shall prevail over the Chinese text.

12. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at the offices of the Company at 18th Floor, China Minmetals Tower, 79 Chatham Road, Tsimshatsui, Kowloon, Hong Kong, except public holidays, up to and including 3rd December, 2003:

(a) the memorandum and articles of association of the Company;

(b) the Subscription Agreement;

(c) the letter from the Independent Board Committee, the text of which is set out in this circular;

(d) the letter of advice from Somerley, the text of which is set out in this circular;

(e) the written consents referred to under the section headed "Consent" in this appendix;

(f) the material contract referred to in section headed "Material contracts" in this appendix;

(g) the audited consolidated financial statement of the Group for the two years ended 31st December, 2002;

(h) the interim report of the Company for the six months ended 30th June, 2003; and

(i) the letter from PwC and the letter from REXCAPITAL (Hong Kong) regarding the estimate of gross profit to be recognised by the Company and its subsidiaries for the year ending 31st December, 2003 as a result of completion of contracts (a) to (c) under the paragraph headed "Connected transactions" as set out in the letter from the Board in this circular.

ORIENTAL METALS (HOLDINGS) COMPANY LIMITED
東方鑫源（集團）有限公司
(Incorporated in Hong Kong with limited liability)

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting of Oriental Metals (Holdings) Company Limited (the "**Company**") will be held at Shek O Room, Lower Level I, Kowloon Shangri-La Hotel, 64 Mody Road, Tsimshatsui East, Kowloon, Hong Kong on Wednesday, 3rd December, 2003 at 11:00 a.m. for the purpose of considering and, if thought fit, passing the following resolutions the first seven of which will be proposed as ordinary resolutions and the last one of which will be proposed as a special resolution:

ORDINARY RESOLUTIONS

1. "**THAT** every ten issued and unissued ordinary shares of HK$0.10 each in the capital of the Company be consolidated into one ordinary share of HK$1.00 each."

2. "**THAT**:

(a) the conditional subscription agreement (the "**Subscription Agreement**", a copy of which marked "**A**" has been produced to this Meeting and signed by the Chairman of the Meeting for the purpose of identification) dated 15th October, 2003 between Coppermine Resources Limited ("**Coppermine**") and the Company pursuant to which Coppermine agreed to subscribe for 475,376,917 ordinary shares of HK$0.10 each in the Company (the "**Subscription Shares**") subject to the terms and conditions contained therein and the transactions contemplated thereunder and the execution of the Subscription Agreement by the Directors on behalf of the Company be and are hereby approved, ratified and confirmed and that the Directors be and are hereby authorised, for and on behalf of the Company, to execute and do such documents, acts, deeds, matters and things as they may, in their discretion, consider to be necessary, appropriate or expedient for the purpose of or in connection with the Subscription Agreement and the transactions contemplated thereunder; and

(b) subject to and conditional upon the Listing Committee of The Stock Exchange of Hong Kong Limited granting a listing of, and permission to deal in, the Subscription Shares, the Directors be and are hereby authorised, for and on behalf of the Company, to take all necessary steps and to do all other things and execute all documents which may, in their discretion, consider to be necessary, appropriate or expedient for the purpose of or in connection with the subscription by Coppermine for the Subscription Shares."

3. "**THAT** subject to the passing of the ordinary resolutions numbered 1 and 2 and the special resolution numbered 8 set out in the notice convening this Meeting, the waiver from the obligation of Coppermine Resources Limited and parties acting in concert with it to make a mandatory general offer for all the issued ordinary shares of HK$0.10 each not already owned or agreed to be acquired by Coppermine Resources Limited and parties acting in concert with it pursuant to Note 1 on dispensations from Rule 26 of the Hong Kong Code on Takeovers and Mergers as a result of the completion of the Subscription Agreement (as referred to and defined in the ordinary resolution numbered 2 set out in the notice convening this Meeting) be and is hereby approved."

4. "**THAT** subject to the passing of the ordinary resolutions numbered 1 and 2 and the special resolution numbered 8 set out in the notice convening this Meeting, the special deal involving the application by Coppermine Resources Limited of the aggregate amount of the CNMG Debt (as defined in the circular of the Company dated 6th November, 2003 containing the notice convening this Meeting) and the CNMF Debt (as defined in the circular of the Company dated 6th November, 2003 containing the notice convening this Meeting) to be purchased by it as part of the consideration under the Subscription Agreement (as referred to and defined in the ordinary resolution numbered 2 set out in the notice convening this Meeting) pursuant to Rule 25 of the Hong Kong Code on Takeovers and Mergers be and is hereby approved."

5. "**THAT** subject to the passing of the ordinary resolutions numbered 1 and 2 and the special resolution numbered 8 set out in the notice convening this Meeting becoming effective:

   (a) and subject further to paragraph (b) below, the exercise by the Directors during the Relevant Period (as hereinafter defined) of all the powers of the Company to purchase the ordinary shares of HK$0.10 each in the capital of the Company be and is hereby generally and unconditionally approved;

   (b) the aggregate nominal amount of the ordinary shares of HK$0.10 each which may be purchased on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") or any other stock exchange recognised for this purpose by the Securities and Futures Commission of Hong Kong and the Stock Exchange under the Hong Kong Code on Takeovers and Mergers pursuant to the approval in paragraph (a) of this Resolution shall not exceed 10 per cent. of the aggregate nominal amount of the share capital of the Company in issue as enlarged by the issue of the Subscription Shares (as referred to and defined in the ordinary resolution numbered 2 set out in the notice convening this Meeting) and such approval 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 law to be held; and

(iii) the revocation or variation of the authority given under this Resolution by ordinary resolution of the shareholders in general meeting."

6. "**THAT** subject to the passing of the ordinary resolutions numbered 1 and 2 and the special resolution numbered 8 set out in the notice convening this Meeting becoming effective:

(a) and subject further to paragraph (c) below, the exercise by the Directors during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with additional ordinary shares of HK$0.10 each in the capital of the Company and to make or grant offers, agreements and options which may require the exercise of such powers be and is hereby generally and unconditionally approved;

(b) the approval in paragraph (a) of this Resolution shall include the authorization to the Directors during the Relevant Period to make or grant offers, agreements and options which may require the exercise of such powers after the end of the Relevant Period;

(c) the aggregate nominal amount of the share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the Directors pursuant to the approval in paragraph (a) of this Resolution, otherwise than pursuant to (i) any executive or employee share option or incentive scheme or (ii) a Rights Issue (as hereinafter defined) or (iii) any scrip dividend or similar arrangement providing for the allotment of shares in lieu of the whole or part of a dividend on the ordinary shares of the Company in accordance with its articles of association, shall not exceed the aggregate of:

(i) 20 per cent. of the aggregate nominal amount of the share capital of the Company in issue as enlarged by the issue of the Subscription Shares (as referred to and defined in the ordinary resolution numbered 2 set out in the notice convening this Meeting); and

(ii) if the Directors are so authorised by a separate ordinary resolution of the shareholders of the Company, the nominal amount of the share capital of the Company repurchased by the Company subsequent to the passing of this Resolution (up to a maximum of 10 per cent. of the aggregate nominal amount of the share capital of the Company in issue as enlarged by the issue of the Subscription Shares),

and the approval in paragraph (a) of this Resolution shall be limited accordingly; and

(d) for the purposes 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 law to be held; and

(iii) the revocation or variation of the approval given under this Resolution by ordinary resolution of the shareholders in general meeting; and

"**Rights Issue**" means an offer of shares, or an offer of warrants, options or other securities giving rights to subscribe for shares, open for a period fixed by the Company or by the Directors to holders of the shares of the Company or any class thereof on the register on a fixed record date in proportion to their then holdings of such shares or class thereof, subject to such exclusion or other arrangements as the Directors may deem necessary, appropriate 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 outside Hong Kong."

7. "**THAT** the general mandate granted to the Directors to exercise the powers of the Company to allot, issue and deal with any additional shares of the Company pursuant to the ordinary resolution numbered 6 set out in the notice convening this Meeting be and is hereby extended by the addition thereto of an amount representing the aggregate nominal amount of the share capital of the Company repurchased by the Company under the authority granted pursuant to the ordinary resolution numbered 5 set out in the notice convening this Meeting, provided that such extended amount shall not exceed 10 per cent. of the aggregate nominal amount of the share capital of the Company in issue as enlarged by the issue of the Subscription Shares (as referred to and defined in the ordinary resolution numbered 2 set out in the notice convening this Meeting)."

SPECIAL RESOLUTION

8. "**THAT** subject to and conditional upon the passing of the ordinary resolution numbered 1 set out in the notice convening this Meeting for the purpose of consolidating every ten issued and unissued ordinary shares of HK$0.10 each in the capital of the Company into one ordinary share of HK$1.00 each (the "**Consolidated Share**"):

(a) (i) the capital of the Company be reduced from HK$300,000,000 divided into 300,000,000 Consolidated Shares of HK$1.00 each to HK$15,000,000 divided into 300,000,000 ordinary shares of HK0.05 each (the "**New Shares**") and that such reduction be effected by cancelling paid up capital to the extent of HK$0.95 on each of the Consolidated Shares in issue and by reducing the nominal value of all the Consolidated Shares in the capital of the Company from HK$1.00 each to HK$0.05 each;

(ii) subject and forthwith upon such reduction of capital taking effect, the authorized capital of the Company be increased to HK$300,000,000 by the creation of an additional 5,700,000,000 New Shares of HK$0.05 each; and

(iii) all fractions of New Shares to which holders of the issued ordinary shares of HK$0.10 each of the Company would otherwise be entitled be aggregated and sold for the benefit of the Company and that a person nominated by the Company be appointed to transfer the shares sold to the purchaser or purchasers thereof and to do all such acts and execute all such documents including without limitation the instruments of transfer on behalf of such holders as may be necessary to effect the transfers."

By Order of the board of
Oriental Metals (Holdings) Company Limited
Xu Huizhong
Managing Director

Hong Kong, 6th November, 2003

Registered Office:
18th Floor, China Minmetals Tower
79 Chatham Road South
Tsimshatsui
Kowloon
Hong Kong

Notes:

1. Any member of the Company entitled to attend and vote at the above Meeting is entitled to appoint not more than two proxies to attend and vote for him. A proxy need not be a member of the Company.

2. A form of proxy for use at the Meeting is enclosed. In order to be valid, the form of proxy, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy thereof, must be deposited with the share registrar of the Company, Computershare Hong Kong Investor Services Limited of Room 1901-5, 19th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, in accordance with the instructions printed thereon as soon as possible but in any event not less than 48 hours before the time appointed for holding the Meeting or any adjourned Meeting.

3. Completion and return of this form of proxy will not preclude you from attending and voting in person at the Meeting. In the event that you attend the Meeting after having deposited a form or forms of proxy, your form or forms of proxy shall be deemed to have been revoked.

4. Where there are joint holders of any share, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders and for this purpose, seniority shall be determined by the order in which the names stand in the register in respect of the joint holding.