



ARTHUR ANDERSEN

Arthur Andersen & Co

21st Floor, Edinburgh Tower
The Landmark
15 Queen's Road Central
Hong Kong

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

(Incorporated in Hong Kong with limited liability)

We have audited the financial statements on pages 28 to 68 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 financial statements which give a true and fair view. In preparing financial statements 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 statements 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 financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, 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 financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

FUNDAMENTAL UNCERTAINTY

In forming our opinion, we have considered the adequacy of the disclosures made in Note 2, Note 3 and Note 27 to the financial statements setting out the status of the recoverability of certain related company receivables of the Group of approximately HK\$283 million and certain debtor balances of the Group of approximately HK\$188 million (the "Receivables") as at 31st December, 2000, and the Group's current and future financing requirements. The financial statements have been prepared on a going concern basis and no provision has been made against the Receivables, on the assumption that the Receivables, under the proposed plan submitted to the relevant governmental authorities of the People's Republic of China, will be recoverable and the directors' negotiations with the Group's bankers to reschedule the overdue loans will be successful. The financial statements do not include any adjustments that would be necessary if the proposed plan to resolve the recoverability of the Receivables and the directors' negotiations with the Group's bankers were not completed and concluded successfully, and alternative sources of financing were not available. We considered that the fundamental uncertainty has been adequately disclosed in the financial statements and our opinion is not qualified in this respect.

OPINION

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31st December, 2000 and of the loss and cash flows of the Group for the year then ended and have been properly prepared in accordance with the Companies Ordinance.

Certified Public Accountants

Hong Kong,
29th June, 2001