



**ANDERSEN**

**Arthur Andersen & Co**

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

*(Incorporated in Hong Kong with limited liability)*

We have audited the financial statements 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 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 our audit provides a reasonable basis for our opinion.

**FUNDAMENTAL UNCERTAINTY RELATING TO GOING CONCERN BASIS OF PRESENTATION**

In forming our opinion, we have considered the adequacy of the disclosures made in Note 2 to the financial statements concerning the Group's default on repayment of its bank borrowings and related interest payable totalling approximately HK\$406 million as at 31st December, 2001, whether the Group's debt restructuring work will be accepted by its bankers 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 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 financial statements 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 the going concern basis of the preparation of the financial statements.

**QUALIFIED OPINION: DISCLAIMER ON VIEW GIVEN BY FINANCIAL STATEMENTS**

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 financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31st December, 2001 and of the loss and cash flows of the Group for the year then ended. In all other aspects, in our opinion the financial statements have been prepared in accordance with the Companies Ordinance.

*Certified Public Accountants*

Hong Kong, 19th June, 2002