

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 trading of nonferrous metals and industrial investments relating to nonferrous metals.

2. GOING CONCERN BASIS

The financial statements have been prepared on the going concern basis. For the year ended 31st December, 2001, the Group reported a loss attributable to shareholders of approximately HK\$863,008,000. As at 31st December, 2001, the Group had a net working capital deficiency of approximately HK\$571,111,000, and during the year ended 31st December, 2001, the Group's shareholders' equity was reduced substantially from approximately HK\$505,728,000 to a shareholder's deficit of approximately HK\$363,408,000. In addition, the Group has defaulted on repayment of bank loans of HK\$399 million as disclosed in Note 27 and interest on its bank borrowings of approximately HK\$7 million which is recorded under creditors and accrued charges as at 31st December, 2001. The Group's bankers have taken various actions including, but not limited to, the issuance of demand notices and writs of summons to request for immediate repayment of a substantial portion of the Group's total bank borrowings.

In view of aforementioned factors, the Company's directors and management raise substantial doubt about the Group's ability to continue as a going concern. The directors and management's expectation was placed on the Group's debt restructuring work. If the Group's restructuring can be successfully implemented, the Group's future operations can be secured. Accordingly, the financial statements have been prepared on the going concern basis.

3. PRINCIPAL ACCOUNTING POLICIES

(a) Basis of presentation

The financial statements of the Group are prepared under the historical cost convention as modified by the revaluation and valuation of land and buildings and certain investments in securities, and in accordance with Statements of Standard Accounting Practice ("SSAPs") issued by the Hong Kong Society of Accountants (the "HKSA"), accounting principles generally accepted in Hong Kong, the disclosure requirements of the Hong Kong Companies Ordinance and the Listing Rules.

NOTES TO THE FINANCIAL STATEMENTS

(Amounts expressed in Hong Kong dollars)

3. PRINCIPAL ACCOUNTING POLICIES (cont'd)

(b) Adoption of New Statements of Standard Accounting Practice

In the current year, the Group has adopted, for the first time, the following SSAPs issued by the HKSA:

SSAP 9 (revised)	Events after the balance sheet date
SSAP 14 (revised)	Leases
SSAP 26	Segment reporting
SSAP 28	Provisions, contingent liabilities and contingent assets
SSAP 29	Intangible assets
SSAP 30	Business combinations
SSAP 31	Impairment of assets
SSAP 32	Consolidated financial statements and accounting for investments in subsidiaries

In addition to the adoption of the above standards, the Group has adopted the consequential changes made to SSAP 10 "Accounting for investments in associates" and SSAP 17 "Property, Plant and Equipment". The Group considers that the consequential changes made to the above SSAPs do not have material impact on the financial statements of the Group.

(c) Basis of consolidation

The consolidated financial statements of the Group include the accounts of the Company and the enterprises that it controls. This control is normally evidenced when the Group has the power to govern the financial and operating policies of an enterprise so as to benefit from its activities. The results of subsidiaries acquired or disposed of during the year are consolidated from or to their effective dates of acquisition or disposal. The equity and net income attributable to minority investors' interests are shown separately in the Group's balance sheet and income statement, respectively.

Intragroup balances and transactions and the resulting unrealised profits are eliminated in full. Unrealised losses resulting from intragroup transactions are eliminated unless cost cannot be recovered. Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances.

In the Company's financial statements, investments in subsidiaries are carried at cost less any accumulated impairment losses. The results of the subsidiaries are included in the income statement to the extent of dividends received and receivable.

3. PRINCIPAL ACCOUNTING POLICIES (cont'd)

(d) Turnover

Turnover represents (i) gross invoiced sales, net of sales taxes and discounts; (ii) gains and losses on metals future trading; and (iii) interest income derived from trade receivables.

(e) Revenue recognition

Provided it is probable that the economic benefits associated with a transaction will flow to the Group and the revenue and costs, if applicable, can be measured reliably, turnover and other revenues are recognised on the following bases:

(i) Sale of goods is recognised when the significant risks and rewards of ownership of the goods have been transferred to customers.

(ii) *Gains and losses on metals future trading*

Gains and losses arising from trading of metals future contracts are recognised on a trade date basis. Open positions of metals future contracts are valued at market price at the balance sheet date. Gains and losses arising thereon are dealt with in the income statement.

(iii) *Interest income*

Interest income is recognised on a time proportion basis that takes into account the effective yield on the assets.

(iv) Dividend income

Dividend income is recognised when the right to receive payment is established.

NOTES TO THE FINANCIAL STATEMENTS

(Amounts expressed in Hong Kong dollars)

3. PRINCIPAL ACCOUNTING POLICIES (cont'd)

(f) Fixed assets and depreciation

Fixed assets, other than leasehold land and buildings, are stated at cost less accumulated depreciation and impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after the fixed assets have been put into operation, such as repairs and maintenance and overhaul costs, is normally charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the fixed assets, the expenditure is capitalised as an additional cost of the fixed asset.

Leasehold land and buildings are stated at cost or their revalued amounts, being their fair values at the date of revaluation, less any subsequent accumulated depreciation and impairment losses.

Depreciation is calculated on the straight-line basis at annual rates estimated to write off the cost or valuation, after taking into account the estimated residual value, of each asset over its expected useful life as follows:

Leasehold land	Over the shorter of the remaining period of the leases and the terms of the joint venture agreements, where applicable
Buildings	Over: (i) their estimated useful lives, being 20 to 50 years from date of completion; and (ii) the remaining period of the leases or land use rights or the terms of the joint venture agreements, if shorter
Leasehold improvements	Over the shorter of 5 years and the remaining period of the leases
Plant and machinery	7 to 15 years
Office equipment	5 years
Furniture and fixtures	5 years
Motor vehicles	3 years

3. PRINCIPAL ACCOUNTING POLICIES (cont'd)

(f) Fixed assets and depreciation (cont'd)

The useful lives of assets and depreciation method are reviewed periodically. When assets are sold or retired, their costs or valuation and accumulated depreciation and impairment losses are eliminated from the accounts and any gain or loss resulting from their disposal is included in the income statement.

The Group has taken advantage of the transitional provisions set out in paragraph 80 of Statement of Standard Accounting Practice 17, "Property, Plant and Equipment" issued by the Hong Kong Society of Accountants, 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.

(g) 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 and exchange differences 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.

(h) Subsidiaries

A company is a subsidiary company of the Company if the Company holds, directly or indirectly, more than 50% of its issued voting capital on a long-term basis; or controls its composition of the board of directors; or controls more than half of its voting power.

(i) Associates

Investments in associates where significant influence is exercised by the Group are accounted for using the equity method in the consolidated financial statements, whereby the investments are initially recorded at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the associates, distributions received from the associates and other necessary alterations in the Group's proportionate interests in the associates arising from changes in the equity of the associates that have not been included in the income statement and less any accumulated impairment losses. The Group's share of post-acquisition results of associates is included in the consolidated income statement.

3. PRINCIPAL ACCOUNTING POLICIES (cont'd)

(j) Goodwill

The excess of the cost of an acquisition over the Group's interest in the fair value of the net identifiable assets and liabilities acquired as at the date of the acquisition is recorded as positive goodwill and recognised as an asset in the balance sheet. Positive goodwill is carried at cost less accumulated amortisation and accumulated impairment losses. Positive goodwill is amortised on a straight-line basis over its expected useful life. Any excess, as at the date of acquisition, of the Group's interest in the fair value of the identifiable assets and liabilities acquired over the costs of the acquisition, should be recognised as negative goodwill. Any negative goodwill is recognised as a separate item in the balance sheet. Negative goodwill is recognised in the income statement as follows:

- (i) to the extent that negative goodwill relates to expected future losses and expenses that are identified in the Group's plan for the acquisition and can be measured reliably, that portion of negative goodwill is recognised as income when the future losses and expenses are recognised.
- (ii) the amount of negative goodwill not exceeding the fair values of acquired identifiable non-monetary assets is recognised as income on a systematic basis over the remaining weighted average useful life of the identifiable acquired depreciable/amortisable assets.
- (iii) the amount of negative goodwill in excess of the fair values of acquired identifiable non-monetary assets is recognised as income immediately.

Positive and negative goodwill on acquisitions that occurred prior to 1st January, 2001 were written off against accumulated losses and credited to capital reserve, respectively. The Group has taken advantage of the transitional provisions set out in paragraph 88 of SSAP 30 such that goodwill previously written off against accumulated losses or credited to capital reserve has not been restated. However, any impairment arising on such goodwill is accounted for in accordance with SSAP 31. The adoption of SSAP 31 has no material impact on the financial statements of the Group.

(k) Investments in securities

Investments in securities other than investments in subsidiaries and associates are stated in the balance sheet at their fair values. Changes in fair value are recognised in the income statement as they arise.

3. PRINCIPAL ACCOUNTING POLICIES (cont'd)**(k) Investments in securities** (cont'd)

Profits or losses on disposal of investments in securities are determined as the difference between the net disposal proceeds and the carrying amount of the investments and are accounted for in the income statement as they arise.

(l) Intangible assets

Intangible assets represent the acquisition costs of patent names of metals and are stated at cost and amortised on a straight-line basis over a period of fifteen years. Where appropriate, provision is made for any impairment in value with respect to individual intangible asset.

(m) Impairment of assets

Fixed assets, construction in progress, investments in subsidiaries and associates and intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognised in the income statement for items of fixed assets, construction in progress, investments in subsidiaries and associates, and intangible assets carried at cost and treated as a revaluation decrease for land and buildings that are carried at revalued amounts to the extent that the impairment loss does not exceed the amount held in the revaluation surplus for the same land and buildings. The recoverable amount is the higher of an asset's net selling price and value in use. The net selling price is the amount obtainable from the sale of the asset in an arm's length transaction while value in use is the present value of estimated future cash flows expected to arise from the continuing use of the asset and from its disposal at the end of its useful life. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit.

A reversal of impairment losses recognised in prior years is recorded when the impairment losses recognised for the asset no longer exist or have decreased. The reversal is recorded in the income statement or as a revaluation increase.

NOTES TO THE FINANCIAL STATEMENTS

(Amounts expressed in Hong Kong dollars)

3. PRINCIPAL ACCOUNTING POLICIES (cont'd)

(n) Inventories

Inventories are carried at the lower of cost and net realisable value.

Cost is based on the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(o) Provisions

A provision is recognised when, and only when an enterprise has a present obligation (legal or constructive) as a result of a past event and it is probable (i.e. more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

(p) 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 financial statements to the extent that it is probable that a liability or an asset will crystallise.

3. PRINCIPAL ACCOUNTING POLICIES (cont'd)**(q) Operating leases**

Leases of assets under which substantially all the risks and rewards of ownership are retained by the lessors are classified as operating leases. Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term.

(r) Foreign currencies

Companies within the Group maintain their books and records either in Hong Kong dollars or Renminbi (the "functional currencies"). In the financial statements of the individual companies, transactions in other currencies are translated into the respective functional currencies at exchange rates in effect at the time of the transactions. Monetary assets and liabilities denominated in other currencies are translated into the respective functional currencies at rates of exchange in effect at the balance sheet date. All such exchange differences are recognised in the income statement in the period in which they arise.

The Group prepares consolidated financial statements in Hong Kong dollars. For the purpose of consolidation, assets and liabilities of those subsidiaries with functional currencies other than Hong Kong dollars are translated into Hong Kong dollars at the applicable rates of exchange in effect at the balance sheet date. Income and expenses are translated at the average exchange rates for the year. Share capital and other reserves are translated into Hong Kong dollars at historical rates. Exchange differences arising on translation are dealt with as movement in reserves.

(s) Staff retirement benefits

The costs of staff retirement benefits are recognised as an expense in the period in which they are incurred.

(t) Borrowing costs

Borrowing costs include interest charges and other costs incurred in connection with the borrowing of funds, including amortisation of discounts or premiums relating to borrowings, amortisation of ancillary costs incurred in connection with arranging borrowings and exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs.

NOTES TO THE FINANCIAL STATEMENTS

(Amounts expressed in Hong Kong dollars)

3. PRINCIPAL ACCOUNTING POLICIES (cont'd)

(t) Borrowing costs (cont'd)

Borrowing costs are expensed as incurred, except when they are directly attributable to construction of plant and machinery that necessarily takes a substantial period of time to prepare for its intended use in which case they are capitalised as part of the cost of that asset. Capitalisation of borrowing costs commences when expenditures for the asset and borrowing costs are being incurred and the activities to prepare the asset for its intended use are in progress. Borrowing costs are capitalised at the weighted average cost of the related borrowings until the asset is ready for its intended use. If the resulting carrying amount of the asset exceeds its recoverable amount, an impairment loss is recorded.

(u) Cash and cash equivalents

Cash represents cash on hand and deposits with banks or other financial institutions which are repayable on demand.

Cash equivalents represent short-term, highly liquid investments which are readily convertible into known amounts of cash without notice and which are within three months of maturity when acquired, less advances from banks repayable within three months from the date of advance.

(v) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

In accordance with the Group's internal financial reporting, the Group has chosen business segment information as the primary reporting format and geographical segment information as the secondary reporting format.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. Segment revenue, segment expenses and segment performance include transfers between segments. Such inter-segment pricing is based on similar terms as those available to unaffiliated customers for similar services. Those transfers are eliminated upon consolidation.

3. PRINCIPAL ACCOUNTING POLICIES (cont'd)

(v) Segment reporting (cont'd)

Segment capital expenditure is the total cost incurred during the year to acquire segment assets (both tangible and intangible) that are expected to be used for more than one period.

Unallocated items mainly comprise financial and corporate assets, interest-bearing loans, borrowings, corporate and financing expenses and minority interests.

(w) Contingencies

Contingent liabilities are not recognised in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

A contingent asset is not recognised in the financial statements but disclosed when an inflow of economic benefits is probable.

(x) Events after the balance sheet date

Post-year-end events that provide additional information about a company's position at the balance sheet date or those that indicate the going concern assumption is not appropriate (adjusting events) are reflected in the financial statements. Post-year-end events that are not adjusting events are disclosed in the notes when material.

(y) Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in Hong Kong requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

4. SEGMENT INFORMATION

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.

NOTES TO THE FINANCIAL STATEMENTS

(Amounts expressed in Hong Kong dollars)

4. SEGMENT INFORMATION (cont'd)

(a) Business segments

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

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

	Trading		Aluminium refinery		Copper refinery and smelters		Corporate and others		Total	
	2001	2000	2001	2000	2001	2000	2001	2000	2001	2000
	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	246,736	428,209	853,830	859,825	137,076	131,423	-	-	1,237,642	1,419,457
Net (loss) gain on metals										
future trading	(3,365)	9,384	-	-	-	-	-	-	(3,365)	9,384
Interest income	-	10,123	-	-	-	-	-	3,559	-	13,682
									1,234,277	1,442,523
OTHER REVENUES	1,004	83	3,078	496	40	56	320	-	4,442	635
RESULTS										
Segment results	(308,335)	110,052	(61,765)	(119,623)	(35,170)	(13,608)	(372,108)	(71,403)	(777,378)	(94,582)
Finance costs									(58,325)	(70,901)
Share of profits and losses									(41,965)	(58,446)
of associates									(41,965)	(58,446)
Taxation									(3,233)	(2,185)
Minority interests									17,893	60,983
Net loss attributable to shareholders									(863,008)	(165,131)

NOTES TO THE FINANCIAL STATEMENTS

(Amounts expressed in Hong Kong dollars)

4. SEGMENT INFORMATION (cont'd)

(a) Business segments (cont'd)

	Trading		Aluminium refinery		Copper refinery and smelters		Corporate and others		Total	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
OTHER INFORMATION										
Segment assets	28,836	215,892	795,687	888,625	36,700	72,902	9,264	374,418	870,487	1,551,837
Investments in associates	-	-	6,909	22,266	83,471	212,155	-	-	90,380	234,421
Total assets									960,867	1,786,258
Segment liabilities	196,567	33,325	526,481	548,624	58,795	41,966	386,530	450,359	1,168,373	1,074,274
Total liabilities									1,168,373	1,074,274
Capital expenditures										
incurred during the year	18	3	51,171	36,444	235	8,660	93	26	51,517	45,133
Depreciation and amortisation	25	29	82,867	54,449	4,325	2,480	978	1,231	88,195	58,189
Impairment losses recognised in income statement	-	-	9,617	98,190	31,466	10,236	10,413	24,702	51,496	133,128
Impairment losses recognised directly charged to equity	-	-	-	-	-	-	6,496	-	6,496	-
Provision for bad and doubtful debts	227,862	7,956	31,142	27,076	2,736	3,691	330,179	13,012	591,919	51,735

NOTES TO THE FINANCIAL STATEMENTS

(Amounts expressed in Hong Kong dollars)

4. SEGMENT INFORMATION (cont'd)

(b) Geographical segments

The Group's activities are conducted predominately in Hong Kong and the People's Republic of China (the "PRC"), except that a small portion of its trading income is derived from other countries such as the United Kingdom.

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

	The PRC		Hong Kong and others		Total	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
External revenue	1,111,163	1,314,966	123,114	127,557	1,234,277	1,442,523
Contribution to gross profit						
from operations	63,519	215,676	271	18,186	63,790	233,862
Segment assets	950,335	1,445,224	10,532	341,034	960,867	1,786,258
Capital expenditure	51,406	45,104	111	29	51,517	45,133

5. OTHER OPERATING EXPENSES

	2001 HK\$'000	2000 HK\$'000
Provision for impairment in value of fixed assets (other than land and buildings)	36,745	107,237
Provision for impairment in value of land and buildings	12,544	–
Provision for impairment in value of investments in securities	594	25,891
Provision for impairment in value of intangible assets	1,613	–
Provision for bad and doubtful debts		
– Amounts due from associates	71,979	–
– Long-term receivables	200	–
– Trade debtors, other debtors and prepayments (i)	519,740	51,735
Provision for compensation in respect of outstanding litigations (See Note 26(ii))	16,256	13,756
Provision for foreseeable loss on a long-term purchase contract (See Note 26(iii))	56,040	–
Others	1,372	7,694
	717,083	206,313

5. OTHER OPERATING EXPENSES (cont'd)

Note:

- (i) As at 31st December, 2000, the Group had certain amounts due from related companies of approximately HK\$283 million (net of amounts due to related companies of approximately HK\$24 million) and certain debtor balances of approximately HK\$188 million (the "Receivables"), which had been outstanding for several years. The Receivables were mainly resulted from normal trading and financing activities under ordinary course of business between the Group and the subsidiaries and associates of the State Nonferrous Metals Industry Administration ("SNMIA"), which was, prior to its dissolution in February 2001, the ultimate holding company of China Nonferrous Metals Group (Hong Kong) Limited ("CNMG(HK)"), the controlling shareholder of the Company, as defined under the Rules governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

On 18th June, 2001, China National Metals & Minerals Import & Export Corporation ("China Minmetals"), a state-owned enterprise under the administration of the State Economic and Trade Commission of the PRC issued a comfort letter to the Company's board of directors, informing that they would use their best endeavor to support the Company's PRC and overseas development, and to cooperate with the relevant governmental authorities to resolve the problem regarding the Receivables owed to the Group by the subsidiaries of SNMIA.

On the above mentioned basis, the Group did not make any provision against the Receivables as at 31st December, 2000.

On 3rd June, 2002, the Company received another letter from China Minmetals informing the Company that China Minmetals has no intention to issue a letter of comfort in relation to the Receivables again this year. Since the Receivables have been outstanding for several years and China Minmetals has indicated that a letter of comfort will not be issued again, the directors consider the chance of recovering the Receivables is very low. As a result, the Group made a full provision of approximately HK\$471 million against the Receivables.

6. FINANCE COSTS

	2001	2000
	HK\$'000	HK\$'000
Bank loans wholly repayable within five years	57,452	67,179
Other loans wholly repayable within five years	1,779	4,858
	59,231	72,037
Less: Interest capitalised under construction in progress	(906)	(1,136)
	58,325	70,901

NOTES TO THE FINANCIAL STATEMENTS

(Amounts expressed in Hong Kong dollars)

7. LOSS BEFORE TAX

Loss before tax is determined after crediting and charging the following:

	2001	2000
	HK\$'000	HK\$'000
Crediting:		
Gain on liquidation of an associate	1,391	–
Gain on disposal of investments in securities	1,934	127
Dividend income from investments in securities		
– listed	27	–
– unlisted	–	1,713
Interest income	2,555	13,682
Exchange gain, net	261	–
	—————	—————
Charging:		
Depreciation	87,315	57,912
Loss on disposal of fixed assets	884	27
Loss on disposal of construction in progress	7	–
Amortisation of intangible assets	880	277
Cost of inventories	1,170,487	1,208,661
Staff costs (including pension costs of HK\$10,922,000 (2000: HK\$6,721,000) and including directors' emoluments)	46,964	53,462
Interest expense	58,325	70,901
Operating lease rentals on land and buildings	1,360	1,863
Provision for inventory obsolescence	8,089	–
Auditors' remuneration	1,800	1,900
Exchange loss, net	–	170
	—————	—————

8. DIRECTORS' EMOLUMENTS

Directors' emoluments disclosed in accordance with section 161(1) of the Companies Ordinance are:

(a) Executive directors

	2001	2000
	HK\$'000	HK\$'000
Fees	-	-
Other emoluments		
– Salaries and other emoluments	3,510	5,360
– Retirement scheme contributions	-	204
	3,510	5,564
	3,510	5,564

(b) Non-executive directors

	2001	2000
	HK\$'000	HK\$'000
Fees	240	240
	240	240

No director waived any emoluments during the year.

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

	Number of directors	
	2001	2000
Nil–HK\$ 1,000,000	6	6
HK\$ 1,500,001–HK\$2,000,000	2	3
	8	9
	8	9

NOTES TO THE FINANCIAL STATEMENTS

(Amounts expressed in Hong Kong dollars)

9. INDIVIDUALS WITH HIGHEST EMOLUMENTS

The five individuals with the highest emoluments include two (2000: three) executive directors whose emoluments are disclosed in Note 8. The emoluments in respect of the remaining three (2000: two) individuals are as follows:

	2001	2000
	HK\$'000	HK\$'000
Salaries and other emoluments	1,914	1,367
Retirement scheme contributions	58	61
	1,972	1,428

Analysis of emoluments paid to the above three (2000: two) non-director individuals by number of individuals and emolument range is as follows:

	Number of individuals	
	2001	2000
Nil-HK\$ 1,000,000	2	1
HK\$ 1,000,001-HK\$ 1,500,000	1	1
	3	2

10. TAXATION

Taxation represents:

	2001	2000
	HK\$'000	HK\$'000
Provision for PRC Enterprise Income Tax	2,014	1,550
Share of income tax expense of associates	1,219	635
	3,233	2,185

10. TAXATION (cont'd)

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 during 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 exempt 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. For one of the subsidiaries in the PRC, its five-year tax exemption and reduction period expired in 1999, but a further three years of 50% reduction in Enterprise Income Tax has been granted. All other subsidiaries in the PRC still enjoyed full tax exemption for the year.

11. LOSS ATTRIBUTABLE TO SHAREHOLDERS

Loss attributable to shareholders includes a loss of approximately HK\$699,597,000 (2000: HK\$295,397,000) dealt with in the financial statements of the Company.

12. DIVIDENDS

No interim dividend was paid and the directors do not recommend the payment of a final dividend for the year ended 31st December, 2001.

13. LOSS PER SHARE

Basic loss per share has been calculated based on consolidated loss attributable to shareholders of approximately HK\$863,008,000 (2000: HK\$165,131,000) and 1,319,726,950 ordinary shares (2000: 1,319,726,950 shares) in issue during the year.

No disclosure of diluted loss per share has been made as there was no potential dilutive shares in existence in 2001 and 2000.

NOTES TO THE FINANCIAL STATEMENTS

(Amounts expressed in Hong Kong dollars)

14. FIXED ASSETS

(a) The Group

	2001						2000	
	Land and buildings HK\$'000	Leasehold improvements HK\$'000	Plant and machinery HK\$'000	Office equipment HK\$'000	Furniture and fixtures HK\$'000	Motor vehicles HK\$'000	Total HK\$'000	Total HK\$'000
Cost or valuation								
Beginning of year	237,854	2,451	703,138	1,232	24,577	20,769	990,021	957,945
Reclassification	4,703	-	(5,592)	78	36	775	-	-
Additions	125	-	1,956	28	1,800	1,233	5,142	13,696
Transfer from construction in progress	-	-	21,907	-	2,164	-	24,071	25,496
Disposals	(569)	(1,287)	(4,997)	(1)	(2,013)	(475)	(9,342)	(10,230)
Exchange adjustments	290	-	815	-	29	28	1,162	3,114
End of year	242,403	1,164	717,227	1,337	26,593	22,330	1,011,054	990,021
Analysis of cost or valuation is as follows:								
At cost	216,253	1,164	717,227	1,337	26,593	22,330	984,904	963,871
At valuation - 1994	26,150	-	-	-	-	-	26,150	26,150
	242,403	1,164	717,227	1,337	26,593	22,330	1,011,054	990,021
Accumulated depreciation and impairment losses								
Beginning of year	48,444	2,175	425,622	1,198	14,108	16,049	507,596	346,793
Reclassification	1,788	-	(4,736)	61	2,264	623	-	-
Charge for the year	38,962	19	44,457	28	2,183	1,666	87,315	57,912
Write-back on disposals	-	(1,030)	(4,084)	-	(1,931)	(348)	(7,393)	(5,440)
Write-down for impairment loss	19,040	-	36,218	-	322	205	55,785	107,237
Exchange adjustments	61	-	420	-	18	21	520	1,094
End of year	108,295	1,164	497,897	1,287	16,964	18,216	643,823	507,596
Net book value								
End of year	134,108	-	219,330	50	9,629	4,114	367,231	482,425
Beginning of year	189,410	276	277,516	34	10,469	4,720	482,425	611,152

NOTES TO THE FINANCIAL STATEMENTS

(Amounts expressed in Hong Kong dollars)

14. FIXED ASSETS (cont'd)

(b) The Company

	2001					2000
	Land and buildings HK\$'000	Leasehold improvements HK\$'000	Furniture and fixtures HK\$'000	Motor vehicles HK\$'000	Total HK\$'000	Total HK\$'000
Cost or valuation						
Beginning of year	26,073	2,450	3,735	2,223	34,481	34,415
Additions	-	-	83	-	83	62
Disposals	-	(1,287)	(1,399)	-	(2,686)	(1)
Exchange adjustments	-	-	-	-	-	5
End of year	26,073	1,163	2,419	2,223	31,878	34,481
Analysis of cost or valuation is as follows:						
At cost	4,823	1,163	2,419	2,223	10,628	13,231
At valuation-1994	21,250	-	-	-	21,250	21,250
	26,073	1,163	2,419	2,223	31,878	34,481
Accumulated depreciation and impairment losses						
Beginning of year	3,460	2,175	3,475	2,137	11,247	10,074
Charge for the year	552	18	201	86	857	1,167
Write-down for impairment loss	14,361	-	-	-	14,361	-
Disposals	-	(1,030)	(1,376)	-	(2,406)	-
Exchange adjustments	-	-	-	-	-	6
End of year	18,373	1,163	2,300	2,223	24,059	11,247
Net book value						
End of year	7,700	-	119	-	7,819	23,234
Beginning of year	22,613	275	260	86	23,234	24,341

NOTES TO THE FINANCIAL STATEMENTS

(Amounts expressed in Hong Kong dollars)

14. FIXED ASSETS (cont'd)

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

	The Group		The Company	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Land and buildings				
Held in Hong Kong on				
– long-term leases (over 50 years)	300	573	300	573
Held in the PRC on				
– medium-term leases (10–50 years)	112,338	188,837	7,400	22,040
– short-term leases (shorter than 10 years)	21,470	–	–	–
	134,108	189,410	7,700	22,613

(d) Certain land and buildings of the Group and 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 Statement of Standard Accounting Practice 17, "Property, Plant and Equipment" issued by the Hong Kong Society of Accountants, 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.

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

	2001 HK\$'000	2000 HK\$'000
The Group	127,998	182,958
The Company	7,700	17,971

14. FIXED ASSETS (cont'd)

- (e) Certain land and building, and plant and machinery of the Group with a total net book value of approximately HK\$218.7 million (2000: HK\$266.2 million) are mortgaged to banks to secure certain banking facilities of the Group.

15. CONSTRUCTION IN PROGRESS

	The Group	
	2001	2000
	HK\$'000	HK\$'000
Beginning of year	22,562	16,563
Additions	46,375	31,437
Transfer to fixed assets	(24,071)	(25,496)
Disposals	(7)	–
Exchange adjustments	32	58
End of year	44,891	22,562

During the year, interest of approximately HK\$906,000 (2000: HK\$1,136,000) was capitalised and included in additions to assets in the course of construction.

NOTES TO THE FINANCIAL STATEMENTS

(Amounts expressed in Hong Kong dollars)

16. INVESTMENTS IN SUBSIDIARIES AND AMOUNTS DUE FROM SUBSIDIARIES

	The Company	
	2001	2000
	HK\$'000	HK\$'000
Non-current assets		
Unlisted shares, at cost	20,407	20,407
Less: Provision for impairment in value	(16,071)	(13,338)
	4,336	7,069
Amounts due from subsidiaries (i)	1,315,333	704,951
Less: Provision for amounts due from subsidiaries	(1,115,294)	(290,705)
	200,039	414,246
Amounts due to subsidiaries (i)	(65,412)	(66,231)
	138,963	355,084
Current assets		
Amounts due from subsidiaries	-	669,902
Less: Provision for amounts due from subsidiaries	-	(387,261)
	-	282,641

Notes:

- (i) Amounts due from subsidiaries are unsecured and are not repayable within one year. Except for certain amounts totalling approximately HK\$879,352,000 (2000: HK\$963,020,000) which bear interest at prevailing market rates, all amounts due from subsidiaries are interest free. Amounts due to subsidiaries are unsecured, interest free and will not be repayable within one year.
- (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, 2001.

16. INVESTMENTS IN SUBSIDIARIES AND AMOUNTS DUE FROM SUBSIDIARIES (cont'd)

The following is a list of the principal subsidiaries:

Name of company	Place of incorporation/ operation	Principal activity	Particulars of issued or paid-up capital*	Proportion of issued capital held by the Company	
				Directly	Indirectly
Da Hua Non-Ferrous Metals Company Limited	Hong Kong	Nonferrous metals trading	1,000,000 shares of HK\$1 each	100%	–
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%	–
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 (H.K.) Limited	Hong Kong	Investment holding	2 shares of HK\$1 each	–	100%

NOTES TO THE FINANCIAL STATEMENTS

(Amounts expressed in Hong Kong dollars)

16. INVESTMENTS IN SUBSIDIARIES AND AMOUNTS DUE FROM SUBSIDIARIES (cont'd)

Name of company	Place of incorporation/ operation	Principal activity	Particulars of issued or paid-up capital*	Proportion of issued capital held by the Company	
				Directly	Indirectly
Parkfield Far East Limited	Hong Kong	Investment holding	10,000 shares of HK\$1 each	–	100%
Topstart Limited	The British Virgin Islands/ Hong Kong	Investment holding	50,000 shares of US\$1 each	–	100%
North China Aluminium Company Limited #	The PRC	Production and sale of aluminium foil and extrusions	RMB344,800,000	–	51%
Yinkou OrienMet Plica Tube Company Limited #	The PRC	Production and sale of plica tubes	US\$4,000,000	–	51%
Yixing Jinfeng Copper Materials Company Limited #	The PRC	Production and sale of copper wires	US\$2,619,048	–	58%
Zhangzhou International Aluminium Container Company Limited #	The 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 they are not audited by Arthur Andersen & Co.

17. INVESTMENTS IN ASSOCIATES

	The Group	
	2001	2000
	HK\$'000	HK\$'000
Share of net assets	36,780	90,630
Amounts due from associates (i)	125,579	153,980
Less: Provision for doubtful debts	(71,979)	–
	53,600	153,980
Amounts due to associates (ii)	–	(10,189)
	90,380	234,421
Amounts due to associates (ii)	(9,100)	–

Notes:

- (i) Amounts due from associates are unsecured and have no fixed terms of repayment. Except for certain amounts totalling approximately HK\$107 million (2000: HK\$138 million) which bear interest at prevailing market rates, all amounts due from associates are interest free.
- (ii) Amounts due to associates are unsecured, interest free and will be repayable within one year.

During the year, an associate of the Group was liquidated upon expiry of the joint venture agreement, resulting in a gain of approximately HK\$1,391,000.

The Group's share of the post-acquisition losses of associates as at 31st December, 2001 was approximately HK\$262 million (2000: HK\$219 million).

NOTES TO THE FINANCIAL STATEMENTS

(Amounts expressed in Hong Kong dollars)

17. INVESTMENTS IN ASSOCIATES (cont'd)

Supplementary financial information of the associates is as follows:

	The Group	
	2001	2000
	HK\$'000	HK\$'000
Profit and loss		
Share of profits and losses before tax	(41,965)	(58,446)
Share of taxation	(1,219)	(635)
Share of net profits and losses	(43,184)	(59,081)

The directors are of the opinion that the underlying values of the associates are not less than their carrying values as at 31st December, 2001.

The following is a list of the principal associates:

Name of company	Place of incorporation/ operation	Principal activity	Particulars of issued or paid-up capital	Proportion of issued capital held by the Company	
				Directly	Indirectly
Changzhou Jinyuan Copper Company Limited	The PRC	Production and sale of copper rods	RMB100,000,000	–	47.5%
Changzhou OrienMet Copper Company Limited*	The PRC	Production and sale of copper rods and copper cathodes	RMB79,000,000	–	50%
Huludao OrienMet Copper Company Limited*	The PRC	Production and sale of copper blisters	US\$46,600,000	–	30%
Qingdao M.C. Packaging Limited*	The PRC	Production and sale of aluminium cans	US\$25,000,000	–	20%
Shanghai Jing Bao Copper Foil Limited*	The PRC	Production and sale of copper foil	RMB29,450,000	–	25%

NOTES TO THE FINANCIAL STATEMENTS

(Amounts expressed in Hong Kong dollars)

17. INVESTMENTS IN ASSOCIATES (cont'd)

Name of company	Place of incorporation/ operation	Principal activity	Particulars of issued or paid-up capital	Proportion of issued capital held by the Company	
				Directly	Indirectly
Yantai Penghui Copper Industry Company Limited*	The PRC	Production and sale of copper cathodes	RMB132,000,000	-	42%
Yinxing Company Limited *	The PRC	Sale of aluminium ingots	RMB14,322,600	-	34%

* Companies not audited by Arthur Andersen & Co.

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

18. INVESTMENTS IN SECURITIES

	The Group		The Company	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Unlisted investments, at cost	3,821	3,723	-	-
Less: Provision for impairment in value	(1,783)	(1,189)	-	-
	2,038	2,534	-	-
Listed investments, at cost	64,443	70,790	64,443	70,790
Less: Provision for impairment in value	(64,434)	(68,810)	(64,434)	(68,810)
	9	1,980	9	1,980
	2,047	4,514	9	1,980
Listed in Hong Kong at carrying value	9	1,980	9	1,980
Listed overseas at carrying value	-	-	-	-
	9	1,980	9	1,980
Quoted market value of listed securities	2	26,993	2	1,980

NOTES TO THE FINANCIAL STATEMENTS

(Amounts expressed in Hong Kong dollars)

19. LONG-TERM RECEIVABLES

	The Group		The Company	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Long-term receivables	6,426	6,418	200	200
Less: Provision for doubtful debts	(200)	–	(200)	–
	6,226	6,418	–	200

Long-term receivables of the Group and the Company are unsecured, interest free and repayable in 2003 and 2004.

20. INTANGIBLE ASSETS

	The Group	
	2001 HK\$'000	2000 HK\$'000
Cost		
Beginning of year	4,151	4,136
Exchange adjustments	6	15
End of year	4,157	4,151
Accumulated amortisation and impairment losses		
Beginning of year	1,661	1,379
Charge for the year	880	277
Provision for impairment in value	1,613	–
Exchange adjustments	3	5
End of year	4,157	1,661
Net book value		
End of year	–	2,490
Beginning of year	2,490	2,757

NOTES TO THE FINANCIAL STATEMENTS

(Amounts expressed in Hong Kong dollars)

21. INVENTORIES

	The Group	
	2001 HK\$'000	2000 HK\$'000
Raw materials	65,704	73,488
Work in progress	84,442	74,028
Finished goods	108,283	105,409
	258,429	252,925
Less: Provision for inventory obsolescence	(8,089)	–
	250,340	252,925

Included in finished goods are inventories of approximately HK\$21 million (2000: Nil) that are stated at their net realisable values.

22. DEBTORS AND PREPAYMENTS

The Group normally grants a credit period ranging from 30 days to 90 days to its trade customers. Included in the Group's debtors and prepayments are trade receivable balances, net of provision for doubtful debts of approximately HK\$117,343,000 (2000: HK\$150,728,000). An aging analysis of such trade receivables is shown as follows:

	The Group			
	2001		2000	
	HK\$'000	%	HK\$'000	%
Less than 6 months	111,865	95	126,593	84
6 months – 1 year	2,893	2	16,499	11
1 – 2 years	1,035	1	7,115	4
Over 2 years	1,550	2	521	1
	117,343	100	150,728	100

NOTES TO THE FINANCIAL STATEMENTS

(Amounts expressed in Hong Kong dollars)

23. AMOUNTS DUE FROM/TO RELATED COMPANIES

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.

Included in the balance sheet are the following balances with related companies:

	The Group		The Company	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Current assets				
Amounts due from related companies (i)				
Loans	-	132,817	-	132,817
Current accounts	206	180,577	206	26,480
	206	313,394	206	159,297
Current liabilities				
Amounts due to related companies (ii)	57,711	78,248	47,663	58,847

Notes:

- (i) Amounts due from related companies are unsecured and will be repayable within one year.
- (ii) Amounts due to related companies are unsecured and will be repayable on demand. Except for certain amounts due from the Group and the Company of approximately HK\$27.6 million (2000: HK\$24.0 million) and HK\$17.6 million (2000: HK\$14.3 million), respectively which bear interest at prevailing market rates, all outstanding balances are interest free.

24. CREDITORS AND ACCRUED CHARGES

Included in the Group's creditors and accrued charges are trade payable balances of approximately HK\$58,803,000 (2000: HK\$70,815,000). An aging analysis of such trade payables is shown as follows:

	The Group			
	2001		2000	
	HK\$'000	%	HK\$'000	%
Less than 6 months	47,766	81	42,983	61
6 months – 1 year	702	1	18,509	26
1 – 2 years	417	1	6,724	9
Over 2 years	9,918	17	2,599	4
	58,803	100	70,815	100

25. PROVISION FOR TAXATION

(a) Provision for taxation represents:

	The Group		The Company	
	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Provision for Hong Kong profits				
tax relating to prior years	512	512	–	–
Provision for PRC taxes	11,061	5,204	1,837	–
	11,573	5,716	1,837	–

(b) Deferred taxation

The Group has potential deferred tax assets of approximately HK\$136.3 million (2000: HK\$98.9 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 financial statements as the directors consider that the realisation of the benefit in future years is uncertain.

NOTES TO THE FINANCIAL STATEMENTS

(Amounts expressed in Hong Kong dollars)

26. PROVISIONS

	The Group	
	2001	2000
	HK\$'000	HK\$'000
Beginning of year	20,539	–
Provisions made during the year for		
– compensation in respect of outstanding litigations (i)	16,256	13,756
– guarantee given to a third party	–	6,783
– foreseeable loss on a long-term purchase contract (ii)	56,040	–
Exchange difference	10	–
End of year	92,845	20,539

Notes:

- (i) Several claims were served against the Group in respect of certain sales transactions made to third party customers. The Group made a total provision of approximately HK\$16,256,000 (2000: HK\$13,756,000) to cover the estimated compensation and expenses in respect of such outstanding litigations.
- (ii) The Group entered into a long-term purchase contract with an overseas supplier for the purchase of alumina, which extends to 2004. The provision of approximately \$56,040,000 represents the total expected loss, computed based on the prevailing market price of alumina, in fulfilling the purchase commitment.

The provisions have not been discounted as the expected effect of discounting is not material.

NOTES TO THE FINANCIAL STATEMENTS

(Amounts expressed in Hong Kong dollars)

27. BANK LOANS

	The Group		The Company	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Within one year or on demand				
Secured bank loans	163,952	179,453	-	-
Unsecured bank loans	449,292	456,035	373,668	381,722
Included under current liabilities	613,244	635,488	373,668	381,722
After one year but within two years				
Secured bank loans	93,396	92,322	-	-
After two years but within five years				
Secured bank loans	53,774	39,567	-	-
Included under non-current liabilities	147,170	131,889	-	-
	760,414	767,377	373,668	381,722

- (a) Certain bank loans of the Company are secured by a corporate guarantee given by CNMG(HK), the Company's controlling shareholder.
- (b) Certain bank loans of the Group are secured by (i) a corporate guarantee given by CNMG(HK); (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 the Company of approximately HK\$399 million (2000: HK\$444 million) and HK\$374 million (2000: HK\$382 million), respectively are already overdue as at the date of the approval of the financial statements by the directors and have been included under current liabilities as at 31st December, 2001.

NOTES TO THE FINANCIAL STATEMENTS

(Amounts expressed in Hong Kong dollars)

28. AMOUNTS DUE TO MINORITY INVESTORS

Amounts due to minority investors are unsecured and are repayable on demand. Except for an amount of approximately HK\$11,958,000 which bears interest at prevailing market rate, all amounts due to minority investors are interest free.

29. SHARE CAPITAL

			Number of shares	
	2001	2000	2001	2000
	HK\$'000	HK\$'000	'000	'000
Authorised:				
Ordinary shares of \$0.1 each	300,000	300,000	3,000,000	3,000,000
Issued and fully paid:				
Ordinary shares of \$0.1 each	131,973	131,973	1,319,727	1,319,727

30. SHARE OPTION SCHEME

Pursuant to the 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 are authorised to grant options to directors and employees of the Company and any of its subsidiaries to subscribe for shares not exceeding in total 10% of the Company's issued share capital at the date of the grant of the options.

There were no options granted or outstanding during the year.

NOTES TO THE FINANCIAL STATEMENTS

(Amounts expressed in Hong Kong dollars)

31. RESERVES

(a) The Group

	Share premium	Revaluation reserve	General reserve	Capital reserve	PRC statutory reserves	Exchange translation reserve	Accumulated losses	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
1st January, 2000	800,064	6,992	15,600	7,337	60,702	1,175	(354,284)	537,586
Expenses incurred in connection with an increase in authorised share capital	(34)	-	-	-	-	-	-	(34)
Transfer to PRC statutory reserves	-	-	-	-	951	-	(951)	-
Exchange differences on consolidation	-	-	-	-	-	1,334	-	1,334
Net loss for the year	-	-	-	-	-	-	(165,131)	(165,131)
31st December, 2000	800,030	6,992	15,600	7,337	61,653	2,509	(520,366)	373,755
Impairment in value of land and buildings	-	(6,496)	-	-	-	-	-	(6,496)
Transfer to PRC statutory reserves	-	-	-	-	1,093	-	(1,093)	-
Exchange differences on consolidation	-	-	-	-	-	368	-	368
Reclassification of reserves	-	-	-	-	641	-	(641)	-
Net loss for the year	-	-	-	-	-	-	(863,008)	(863,008)
31st December, 2001	800,030	496	15,600	7,337	63,387	2,877	(1,385,108)	(495,381)

NOTES TO THE FINANCIAL STATEMENTS

(Amounts expressed in Hong Kong dollars)

31. RESERVES (cont'd)

(b) The Company

	Share premium	Revaluation reserve	General reserve	Accumulated losses	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
1st January, 2000	800,064	4,951	15,600	(224,571)	596,044
Expenses incurred in connection with an increase in authorised share capital	(34)	-	-	-	(34)
Net loss for the year	-	-	-	(295,397)	(295,397)
31st December, 2000	800,030	4,951	15,600	(519,968)	300,613
Impairment in value of land and buildings	-	(4,951)	-	-	(4,951)
Net loss for the year	-	-	-	(699,597)	(699,597)
31st December, 2001	800,030	-	15,600	(1,219,565)	(403,935)

The Company had no reserve (2000: Nil) available for distribution as at 31st December, 2001.

32. RELATED PARTY TRANSACTIONS

Material transactions with related parties during the year are as follows:

	The Group	
	2001	2000
	HK\$'000	HK\$'000
Sale of fixed assets to an associate	-	8,327
Sale of nonferrous metals to		
– an associate	23,201	53,863
– related companies	-	85,189
Purchases of nonferrous metals from an associate	138,679	343,142
Purchases of nonferrous metals from related companies	-	277,237
Interest income from associates	-	12,495
Interest expense paid to related companies	1,416	1,771
Management fees paid to a shareholder	2,291	2,521

In the opinion of the directors, the related party transactions described above were carried out in the ordinary course of business and on normal commercial terms.

33. 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, each of the Group and their employees makes monthly contributions to the MPF Scheme at 5% of the employees’ cash income 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, 2001 amounted to approximately HK\$10,922,000 (2000: HK\$6,721,000). There were no forfeited contributions during the year (2000: HK\$97,000).

NOTES TO THE FINANCIAL STATEMENTS

(Amounts expressed in Hong Kong dollars)

34. CONTINGENT LIABILITIES

- (a) As at 31st December, 2001, the Company provided corporate guarantees to a financial institution in respect of banking facilities extended to an associate amounting to approximately RMB25,000,000 (equivalent to approximately HK\$23,585,000) (2000: RMB25,000,000, equivalent to approximately HK\$23,552,000).
- (b) As at 31st December, 2001, 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 will not exceed RMB11,830,000 (equivalent to approximately HK\$11,160,000).

35. COMMITMENTS

(a) Operating leases

As at 31st December, 2001, the Group's commitments in respect of rented premises under non-cancellable operating leases amounted to approximately HK\$1,205,000 (2000: HK\$1,282,000). Details of the total future minimum lease payments under non-cancellable operating leases are as follows:

	The Group	
	2001	2000
	HK\$'000	HK\$'000
Total future minimum lease payments payable:		
Within one year	646	1,282
After one year but within five years	559	–
	1,205	1,282

35. COMMITMENTS (cont'd)

(b) Capital Commitments in respect of purchase of plant and machinery

	The Group	
	2001	2000
	HK\$'000	HK\$'000
Authorised and contracted for	14,223	25,204
Authorised but not contracted for	240,462	68,450
	254,685	93,654

(c) Metals future contracts

During the year, the Group entered into nonferrous metals future contracts to reduce its exposure to risks arising from fluctuations in the trading prices of nonferrous metals. As at 31st December, 2001, the Group had no outstanding future contracts for the sales (2000: approximately HK\$19.9 million) and purchases (2000: approximately HK\$16.2 million) of nonferrous metals.

NOTES TO THE FINANCIAL STATEMENTS

(Amounts expressed in Hong Kong dollars)

36. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of loss before tax to net cash inflow from operating activities

	2001 HK\$'000	2000 HK\$'000
Loss before tax	(877,668)	(223,929)
Share of profits and losses of associates	41,965	58,446
Interest income	(2,555)	(13,682)
Interest expense	58,325	70,901
Provision for impairment in value of fixed assets (other than land and buildings)	36,745	107,237
Provision for impairment in value of land and buildings	12,544	–
Provision for impairment in value of investments in securities	594	25,891
Provision for impairment in value of intangible assets	1,613	–
Provision for bad and doubtful debts		
– Amounts due from associates	71,979	–
– Long-term receivables	200	–
– Trade debtors, other debtors and prepayments	519,740	51,735
Provision for compensation in respect of outstanding litigations	16,256	13,756
Provision for foreseeable loss on a long-term purchase contract	56,040	–
Gain on liquidation of an associate	(1,391)	–
Gain on disposal of investments in securities	(1,934)	(127)
Dividend income from investments in securities	(27)	(1,713)
Depreciation	87,315	57,912
Loss on disposal of fixed assets	884	27
Loss on disposal of construction in progress	7	–
Amortisation of intangible assets	880	277
Provision for inventory obsolescence	8,089	–
Decrease in amounts due from associates	28,073	28,186
Increase in long-term receivables	–	(22)
Increase in inventories	(5,504)	(33,552)
Decrease in debtors and prepayments	49,255	9,516
Decrease in amounts due from related companies	5,974	5,465
(Decrease) Increase in creditors and accrued charges	(18,130)	6,425
(Decrease) Increase in bills payable	(11,106)	14,898
Decrease in amounts due to related companies	–	(298)
Increase in provision for taxation	2,244	–
Increase (Decrease) in amounts due to minority investors	6,963	(5,460)
Exchange adjustments	289	770
Net cash inflow from operating activities	87,659	172,659

NOTES TO THE FINANCIAL STATEMENTS

(Amounts expressed in Hong Kong dollars)

36. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (cont'd)

(b) Analysis of changes in financing

	2001				2000
	Bank loans		Amounts due to related Companies		Total
	Short-term HK\$'000	Long-term HK\$'000	Companies HK\$'000	Total HK\$'000	Total HK\$'000
1st January	635,488	131,889	78,248	845,625	903,577
Proceeds form new short-term bank loans	28,774	-	-	28,774	53,272
Repayment of short-term bank loans	(51,378)	-	-	(51,378)	(104,043)
Proceeds from new long-term bank loans	-	15,096	-	15,096	2,826
Reclassification of amounts due to related companies to creditors following the dissolution of SNMIA	-	-	(24,073)	(24,073)	-
Interest accrued on an amount due to a related company	-	-	1,371	1,371	-
Increase (Decrease) in amounts due to related companies	-	-	2,165	2,165	(12,102)
Effect of foreign exchange translation	360	185	-	545	2,095
31st December	613,244	147,170	57,711	818,125	845,625

NOTES TO THE FINANCIAL STATEMENTS

(Amounts expressed in Hong Kong dollars)

36. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (cont'd)

(c) Major non-cash transactions

Following the dissolution of SNMIA in February 2001, as mentioned in Note 5, all subsidiaries and associates of SNMIA, except for CNMG(HK) and its subsidiaries and associates, ceased to be related parties of the Group. Accordingly, the net amounts due from related companies of approximately HK\$283 million were reclassified to debtors and prepayments. Moreover, the Group made a full provision against such receivable during the year ended 31st December, 2001.

37. EVENTS AFTER THE BALANCE SHEET DATE

- (a) On 14th May, 2002, the Group received a writ from the Court of First Instance of the High Court of the Hong Kong Special Administrative Region ("HKSAR") for an application by certain bank creditors of the Group for recovery of a syndicated loan from the Group of approximately US\$14 million (equivalent to approximately HK\$109 million) which was overdue as at 31st December, 2001. No substantive hearing of the case has been fixed and the Group has instructed its lawyer to deal with the claims.
- (b) On 10th April 2002, the High Court of the HKSAR ordered that John Lees and Desmond Chiong, principals of Ferrier Hodgson & Co., be appointed with immediate effect as the provisional liquidators of CNMG(HK), controlling shareholder of the Company for the time being. As at the date of the approval of the financial statements by the directors, the Company has not been informed by the provisional liquidators of any material development of CNMG(HK) which may have an impact on the Group and the Company.

38. APPROVAL OF ACCOUNTS

The financial statements were approved and authorised for issue by the Board of Directors on 19th June, 2002.