

During the year 2002, Oriental Metals (Holdings) Company Limited ("the Company") and its subsidiaries (together "the Group") managed to turn the corner from losses into profitability by achieving a profit of approximately HK\$20,000,000.

In doing so, the Group faced some considerable challenges, as 2002 was indeed a year of difficulties. Its controlling shareholder, China Nonferrous Metals Group (Hong Kong) Limited, received a winding up order from the High Court of Hong Kong on 8th May, 2002. As such, John Lees and Desmond Chiong were appointed as its liquidators. In addition, the Group's financial position remained difficult, making it impossible to raise additional financing. The prices of nonferrous metals continued to fall, which prevented the Group from exploiting further trading opportunities. Furthermore, legal proceedings were initiated as a result of a default in the repayment of substantial overdue bank loans.

Despite all such difficulties, the Group has acted decisively to clear up these historical issues. We have taken measures to ensure our operating cash flow by collecting various receivables. To further reduce overall expenditure, we also implemented payroll adjustments, streamlined our headcount, and closed certain representative offices in the PRC.

2003 will be a decisive year in the Group's development. The liquidation of its former controlling shareholder is now underway; and it is hoped that progress can be made in determining its future controlling shareholder. The prices of nonferrous metals have now stabilised and gradually picked up. In particular, the price of alumina, one of the Group's core trading products, surged in the earlier part of 2003. All these factors point to an overall improvement in the Group's business environment. The Group will take advantage of these more favourable market conditions to increase the profitability of its trading operations.

Finally, on behalf of the Board, I would like to extend my sincere thanks to our management and staff for their dedication and hard work. With the continued support of our shareholders, customers and suppliers, we look forward to a brighter future for the Group.

By order of the Board

Gao Dezhu

Chairman

17th April, 2003