

The directors hereby present their report together with the audited accounts of Oriental Metals (Holdings) Company Limited (the "Company") and its subsidiaries (the "Group") for the year ended 31st December, 2002.

### PRINCIPAL ACTIVITIES

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

An analysis of the Group's revenue by business and geographical segments, together with their respective contributions to profit from operations for the year ended 31st December, 2002 is set out in Note 3 to the accounts.

### MAJOR CUSTOMERS

In the year under review, sales to the five largest customers accounted for less than 30% of the total sales of the Group for the year.

### MAJOR SUPPLIERS

Purchases from the largest supplier, Yinxing Company Limited (an associate of the Group), accounted for approximately 13% of the total purchases of the Group for the year.

Purchases from the five largest suppliers combined accounted for approximately 46% of the total purchases of the Group for the year.

Save as disclosed above, none of the directors, their associates (as defined in the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited ("the Stock Exchange")) or any shareholders of the Company (which to the knowledge of the directors owned more than 5% of the Company's share capital) had a beneficial interest in the Group's five large suppliers.

### RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31st December, 2002 are set out in the accounts on page 26.

No interim dividend was declared during the year. The Directors do not recommend the payment of a final dividend, and recommend that the consolidated accumulated losses of approximately HK\$1,366,467,000 at 31st December, 2002 (2001: HK\$1,385,108,000) be carried forward.

### RESERVES

Movements in reserves of the Company and of the Group during the year are set out in Note 28 to the accounts.

### FIXED ASSETS

Movements in fixed assets during the year are set out in Note 13 to the accounts.

### SHARE CAPITAL

Details of the share capital of the Company are set out in Note 27 to the accounts.

### DIRECTORS

The directors who held office during the year and up to the date of this report are as follows:

#### Executive Directors

Gao Dezhu *(Chairman)*  
Xu Huizhong  
Lau Yat Ching  
Xun Gao  
Wang Xingdong  
Deng Weihua

#### Non-executive Directors

Chan Wai Dune  
Ting Leung Huel, Stephen  
Ng Ching Wo *(Resigned on 1st February, 2002)*  
Woo Wai See, Alice *(Resigned on 1st February, 2002)*  
Chan Fat Chu, Raymond *(Resigned on 2nd August, 2002)*  
Xu Kaixing *(Resigned on 27th February, 2003)*

In accordance with Article 101 of the Company' Articles of Association, Messrs. Xun Gao and Wang Xingdong will retire by rotation and, being eligible, offer themselves for re-election.

### DIRECTORS' SERVICE CONTRACTS

None of the directors have service contracts with the Group which are not determinable by the Group within one year without payment of compensation, other than normal statutory compensation.

### DIRECTORS' INTERESTS IN SECURITIES AND RIGHTS TO ACQUIRE SECURITIES

As at 31st December, 2002, other than certain nominee shares in the subsidiaries held by the directors in trust for the Company, none of the directors had any personal, family, corporate or other interests in any equity or debt securities of the Company or any of its associated corporations which are required to be notified to the Company and the Stock Exchange pursuant to section 28 of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance") (including interests which any such director is deemed or taken to have under section 31 of, or Part I of the Schedule to, the SDI Ordinance), or which are required to be entered into the register maintained by the Company under section 29 of the SDI Ordinance or which are required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, to be notified to the Company and the Stock Exchange.

During the year, none of the directors of the Company nor their spouses or children under 18 years of age was granted or had exercised any rights to subscribe for any equity and debt securities of the Company or any of its associated corporations.

### DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in note (b) under connected party transactions on page 21 of which Messrs. Gao Dezhu, Lau Yat Ching, Xun Gao and Wang Xingdong are both the directors of the Company and China Nonferrous Metals Group (Hong Kong) Limited, the immediate controlling shareholder of the Company and are deemed to have interest in the transaction, there was no contract of significance to which the Company, its holding companies, subsidiaries or fellow subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

### MANAGEMENT CONTRACTS

Save as disclosed in note (b) under connected party transactions on page 21, no significant contract concerning the management and administration of the Company was entered into or existed during the year.

### SHARE OPTION SCHEME

Pursuant to the resolutions passed at an extraordinary general meeting of the Company held on 25th November, 1994, a share option scheme ("the Scheme") was approved and adopted by the Company.

The following is a summary of the Scheme disclosed in accordance with the requirements of the Listing Rules:

1. The Scheme is established to recognise and acknowledge the contributions that eligible participants had made or may make to the Group in order to attract and retain high calibre employees of the Group.
2. The Company's board of directors may at its discretion grant options to any employees including directors of the Group.
3. The number of shares available for issue under the Scheme is 93,392,695 shares representing 7.08% of the issued share capital of the Company at 31st December, 2002.

### SHARE OPTION SCHEME (cont'd)

4. The maximum number of shares in respect of which options may be granted to any one employee shall not exceed 25% of the maximum number of shares in respect of which options may be granted under the Scheme.
5. An option may be exercised in whole or in part at any time after the date on which the option is deemed to be granted and from time to time or before the date which is three years after such date.
6. A non-refundable remittance of HK\$10.00 by way of consideration for the grant of an option is required to be paid by each grantee upon acceptance of the option.
7. The exercise price is determined by the Company's board of directors and will not be less than 80% of the average of the closing prices of the shares on the Stock Exchange on the five business days immediately preceding the date of granting of options or the nominal value of the shares, whichever is the higher.
8. The life of the Scheme is until 24th November, 2004.

During the year, no options to subscribe for shares of the Company were outstanding and no options to subscribe for shares were granted by the Company.

The Stock Exchange has introduced a number of changes to the Listing Rules on share option scheme. These new rules came into effect on 1st September, 2001. The Company shall amend, in due course, the terms of the Scheme to comply with the new requirements of the Listing Rules on share option scheme.

### SUBSTANTIAL INTERESTS IN SHARE CAPITAL OF THE COMPANY

As at 31st December, 2002, according to the register kept by the Company under section 16(1) of the SDI Ordinance, the Company was notified of the following interests in the Company's issued share capital amounting to 10% or more of the issued share capital of the Company:

Name	Number of Ordinary Shares held	Percentage of total issued shares
The State Nonferrous Metals Industry Administration ("SNMIA")*	596,044,203	45.16%
China Nonferrous Metals Holdings (Cook Islands) Limited ("CNCI")	596,044,203	45.16%
China Nonferrous Metals Group (Hong Kong) Limited ("CNMG(HK)")**	596,044,203	45.16%
Mazar Limited	288,028,520	21.82%

### SUBSTANTIAL INTERESTS IN SHARE CAPITAL OF THE COMPANY (cont'd)

- \* *On 19th February, 2001, the State Economic and Trade Commission of The People's Republic of China (the "PRC") promulgated that the Company's ultimate controlling shareholder, SNMIA, was dissolved in the course of restructuring of the nonferrous metals industry in the PRC.*
- \*\* *The High Court of the Hong Kong Special Administrative Region issued an order for the winding up of CNMG(HK), the controlling shareholder of the Company, on 8th May, 2002 and ordered that John Lees and Desmond Chiong be appointed as the liquidators of CNMG(HK) on 19th June, 2002.*

Note: Given (a) Mazar Limited is a wholly-owned subsidiary of CNMG (HK), (b) CNMG (HK) is a wholly-owned subsidiary of CNCI, and (c) CNCI was a wholly-owned subsidiary of SNMIA, these companies are deemed to be interested in the above shares.

Save as disclosed above, no other person was recorded in the register as having an interest in 10% or more of the issued share capital of the Company as at 31st December, 2002.

### PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

During the year ended 31st December, 2002, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

### BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans of the Company and the Group as at 31st December, 2002 are set out in Note 26 to the accompanying accounts. Interest of approximately HK\$1,620,000 (2001: HK\$906,000) was capitalised by the Group during the year.

### RETIREMENT SCHEMES

Details of the Group's retirement schemes are set out in Note 30 to the accounts.

### CODE OF BEST PRACTICE

The Company has complied with the Code of Best Practice (the "Code of Best Practice") as set out in Appendix 14 to the Listing Rules on the Stock Exchange throughout the year ended 31st December, 2002, except that the Company had not had a minimum of two independent non-executive directors to establish an audit committee for the period from 1st February, 2002 to 4th June, 2002 pursuant to Paragraph 14 of the Code of Best Practice and also the non-executive directors of the Company are not appointed for a specific term as they are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with articles 101 and 85 of the Company's articles of association.

### AUDIT COMMITTEE

The Company established an audit committee with written terms of reference consisting of two independent non-executive directors in July 1999 pursuant to the Code of Best Practice. The principal duties of the audit committee include the review and supervision of the Company's financial reporting process and internal controls. During the year, the committee held two meetings.

### CONNECTED PARTY TRANSACTIONS

During the year, the Group entered into the following connected transactions as defined under the Listing Rules:

- (a) Yixing Jinfeng Copper Materials Company Limited ("Yixing Jinfeng"), a non-wholly owned subsidiary of the Company, sold copper wires in the aggregate sum of approximately HK\$ 1.5 million to Yixing City Yida Copper Company Limited ("Yida") during the year. Yida is a substantial shareholder of Yixing Jinfeng and holds 42% of its interest.

The above transaction was entered into in the ordinary and usual course of business and on normal commercial terms.

- (b) The Company and CNMG(HK) entered into an agreement on 12th May, 2000 (the "Service Agreement") in respect of the sharing of administrative costs for administration services rendered by CNMG(HK) for the period from 1st January, 2000 to 31st December, 2002. Based on the amounts estimated as specified in the cash flow forecast of CNMG(HK) for the year 2000, the maximum amounts to be paid by the Company were expected to be not more than approximately HK\$4.1 million, HK\$4.5 million and HK\$5 million for the years 2000, 2001 and 2002, respectively.

CNMG(HK) received a winding up order in May 2002 and is now in the process of liquidation. No amount of administrative costs was charged by CNMG (HK) to the Company in respect of the Service Agreement during the year (2001: HK\$2.3 million). The outstanding balance due to CNMG(HK) as at 31st December, 2002 was approximately HK\$5 million (2001: HK\$7.8 million).

### DE-MINIMIS CONCESSION

On 1st August, 2002, the Stock Exchange has approved the Company's application for the De-minimis Concession for the purpose of determining the "assets test" and the "consideration test" under Chapter 14 of the Listing Rules for classifying notifiable transactions (other than connected transactions) of the Company.

As such, the "assets test" and the "consideration test" will not apply to each transaction (other than connected transaction) carried out in the ordinary course of business of the Group, which is entered into on normal commercial terms, and where the aggregate consideration or value of the transaction does not exceed HK\$ 1,000,000, and such transaction will not be subject to shareholders' approval and disclosure requirements.

### DE-MINIMIS CONCESSION (cont'd)

The Stock Exchange's approval for the use of the De-minimis Concession will remain valid from 1st August, 2002 until publication or the due date of publication of the Company's next annual report for the year ended 31st December, 2002, whichever is earlier.

As at 31st December, 2002, the Company had an audited consolidated net deficit of approximately HK\$351,000,000. Hence, the Company will make another application to the Stock Exchange for a De-minimis Concession in accordance to the Listing Rules.

### FINANCIAL ASSISTANCE AND GUARANTEE TO ASSOCIATES

As at 31st December, 2002, the Group's financial assistance to, and guarantee given for a bank loan granted to its associates amounted to, in aggregate, approximately HK\$54 million (net of provision of approximately HK\$119 million), representing more than 25% of the net assets value of the Group as at 31st December, 2002 (the Group was 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 March, 2003 (being the latest practicable date for this report) is set out below:

	<b>Proforma combined balance</b> HK\$ million	<b>The Group's attributable interest</b> HK\$ million
Non-current assets	131	33
Current assets	237	59
Current liabilities	(254)	(63)
Net current liabilities	(17)	(4)
Net assets	<b>114</b>	<b>29</b>
Share capital	94	24
Reserves	20	5
	<b>114</b>	<b>29</b>

All the above figures are unaudited.

### DIRECTORS AND MANAGEMENT

Particulars of directors and management are set out on pages 13 to 15 of this annual report.

### FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on pages 77 and 78 of this Annual Report.

### AUDITORS

The accounts for the years ended 31st December, 2000 and 2001 were audited by Arthur Andersen & Co. The accounts for the year ended 31st December, 2002 have been audited by PricewaterhouseCoopers (having previously been appointed by the board to fill the casual vacancy arising by reason of the resignation of Arthur Andersen & Co on 9th October, 2002) who retire and being eligible offer themselves for re-appointment.

By order of the Board

**Xu Huizhong**

*Director and President*

Hong Kong, 17th April, 2003