

## NOTES TO THE ACCOUNTS

(Amounts expressed in Hong Kong dollars)

### 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 the trading of nonferrous metals and investments relating to nonferrous metals.

### 2. PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these accounts are set out below:

#### (a) Basis of preparation

The accounts have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Society of Accountants ("HKSA"), the disclosure requirements of the Hong Kong Companies Ordinance and the Listing Rules. They have been prepared under the historical cost convention except that, as disclosed in the accounting policies below, certain land and buildings are stated at fair value.

#### (i) *Going concern basis*

As at 31st December, 2002, the Group had net current liabilities of approximately HK\$478,461,000 and deficit on shareholders' funds of approximately HK\$351,069,000. In addition, the Group has defaulted on repayment of bank loans of approximately HK\$389 million as described in more detail in Note 26 and interest on its bank borrowings of approximately HK\$25 million which was recorded under trade payables and accrued charges as at 31st December, 2002. Several banks of the Group have taken various actions including, but not limited to, the issuance of demand notices and writs of summons to request for repayment of the Group's bank loans of approximately HK\$111 million (equivalent to approximately US\$14 million). On 27th January, 2003, the High Court of the Hong Kong Special Administrative Region ("HKSAR"), made a judgement in the favour of the relevant banks. The relevant banks are now in discussion with other Hong Kong bank creditors regarding the debt restructuring of the Group. In view of aforementioned factors, there is doubt about the Group's ability to continue as a going concern.

### 2. PRINCIPAL ACCOUNTING POLICIES (cont'd)

#### (a) Basis of preparation (cont'd)

##### (i) *Going concern basis* (cont'd)

In determining the basis of preparation of the accounts, the directors and management are optimistic about the progress of the Group's debt restructuring. If the Group's restructuring can be successfully implemented, the Group's future operations can be secured and new funding can be obtained to meet the Group's financial obligations as they fall due. Accordingly, the accounts have been prepared on a going concern basis.

##### (ii) *Adoption of new/revised accounting standards*

In the current year, the Group adopted the following Statements of Standard Accounting Practice ("SSAP") issued by the HKSA which are effective for accounting periods commencing on or after 1st January, 2002:

SSAP1 (revised):	Presentation of financial statements
SSAP11 (revised):	Foreign currency translation
SSAP15 (revised):	Cash flow statements
SSAP34 (revised):	Employee benefits

The Group has also adopted SSAP35 "Government grants and disclosure of government assistance" which is effective for periods commencing on or after 1st July, 2002 in advance of its effective date.

The adoption of these new and revised accounting standards did not have material impact on the accounts for the year ended 31st December, 2002 and the previous years except for the reclassifications in the consolidated cash flow statement and the presentation of the consolidated statement of changes in equity.

#### (b) Group accounting

##### (i) *Consolidation*

The consolidated accounts include the accounts of the Company and all its subsidiaries made up to 31st December.

### 2. PRINCIPAL ACCOUNTING POLICIES (cont'd)

#### (b) Group accounting (cont'd)

##### (i) Consolidation (cont'd)

Subsidiaries are those entities in which the Company, directly or indirectly, controls the composition of the board of directors, controls more than half the voting power or holds more than half of the issued share capital.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated profit and loss account from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All significant intercompany transactions and balances within the Group are eliminated on consolidation.

The gain or loss on the disposal of a subsidiary represents the difference between the proceeds of the sale and the Group's share of its net assets together with any unamortised goodwill or negative goodwill or goodwill/negative goodwill and related accumulated foreign currency translation difference taken to reserves and which were not previously charged or recognised in the consolidated profit and loss account.

Minority interests represent the interests of outside shareholders in the operating results and net assets of subsidiaries.

In the Company's balance sheet, investments in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

##### (ii) Associates

An associate is a company, not being a subsidiary or a joint venture, in which an equity interest is held for the long-term and significant influence is exercised in its management.

The consolidated profit and loss account includes the Group's share of the results of associates for the year, and the consolidated balance sheet includes the Group's share of the net assets of the associates and goodwill/ negative goodwill (net of accumulated amortisation) on acquisition.

### 2. PRINCIPAL ACCOUNTING POLICIES (cont'd)

#### (b) Group accounting (cont'd)

##### (ii) Associates (cont'd)

In the Company's balance sheet, investments in associates are stated at cost less provision for impairment losses. The results of associates are accounted for by the Company on the basis of dividends received and receivable.

Equity accounting is discontinued when the carrying amount of the investment in an associate reaches zero, unless the Group has incurred obligations or guaranteed obligations in respect of the associate.

##### (iii) Translation of foreign currencies

Transactions in foreign currencies are translated at exchange rates ruling at the transaction dates. Monetary assets and liabilities expressed in foreign currencies at the balance sheet date are translated at rates of exchange ruling at the balance sheet date. Exchange differences arising in these cases are dealt with in the profit and loss account.

The balance sheets of subsidiaries and associates expressed in foreign currencies are translated at the rates of exchange ruling at the balance sheet date whilst the profit and loss accounts are translated at an average rate. Exchange differences are dealt with as a movement in reserves.

#### (c) Goodwill/Negative goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net assets of the acquired subsidiary at the date of acquisition.

Goodwill on acquisitions occurring on or after 1st January, 2001 is included in intangible assets and is amortised using the straight-line method over its estimated useful life.

Goodwill on acquisitions that occurred prior to 1st January, 2001 was eliminated against reserves. Any impairment arising on such goodwill is accounted for in the profit and loss account.

Negative goodwill represents the excess of the fair value of the Group's share of the net assets acquired over the cost of acquisition.

## NOTES TO THE ACCOUNTS

(Amounts expressed in Hong Kong dollars)

### 2. PRINCIPAL ACCOUNTING POLICIES (cont'd)

#### (c) Goodwill/Negative goodwill (cont'd)

For acquisition after 1st January, 2001, negative goodwill is presented in the same balance sheet classification as goodwill. To the extent that negative goodwill relates to expectations of future losses and expenses that are identified in the Group's plan for the acquisition and can be measured reliably, but which do not represent identifiable liabilities at the date of acquisition, that portion of negative goodwill is recognised in the profit and loss when the future losses and expenses are recognised. Any remaining negative goodwill, not exceeding the fair values of the non-monetary assets acquired, is recognized in the profit and loss over the remaining useful lives of those assets; negative goodwill in excess of the fair values of those non-monetary assets is recognised in the profit and loss immediately.

For acquisitions prior to 1st January, 2001, negative goodwill was taken directly to reserves on acquisition.

#### (d) Revenue recognition

Revenue from the sale of goods is recognised on the transfer of risks and rewards of ownerships, which generally coincides with the time when the goods are delivered to customers and title has passed.

Income from the provision of sub-contracting and other engineering services is recognised when related services are rendered.

Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and interest rates applicable.

#### (e) Fixed assets

##### (i) Properties

Properties are interests in land and buildings and are stated at cost or their revalued amounts, being their fair value at the date of revaluation, less accumulated depreciation and accumulated impairment losses.

The Group has taken advantage of the transitional provisions set out in paragraph 80 of SSAP17, "Property, Plant and Equipment" issued by the HKSA, 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.

### 2. PRINCIPAL ACCOUNTING POLICIES (cont'd)

#### (e) Fixed assets (cont'd)

##### (ii) Other fixed assets

Other fixed assets, comprising leasehold improvements, plant and machinery, office equipment, furniture and fixtures and motor vehicles are stated at cost less accumulated depreciation and accumulated impairment losses.

##### (iii) 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 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.

##### (iv) Depreciation

Leasehold land is stated at cost or revalued amount less accumulated impairment losses and is amortised over the remaining period of the lease. Other fixed assets are depreciated at rates sufficient to write off their cost less accumulated impairment losses over their estimated useful lives on a straight-line basis. The principal annual rates are as follows:

Buildings	2% – 5%
Leasehold improvements	20%
Plant and machinery	6% – 14%
Office equipment	20%
Furniture and fixtures	20%
Motor vehicles	33%

Major costs incurred in restoring fixed assets to their normal working condition are charged to the profit and loss account. Improvements are capitalised and depreciated over their expected useful lives to the Group.

## NOTES TO THE ACCOUNTS

(Amounts expressed in Hong Kong dollars)

### 2. PRINCIPAL ACCOUNTING POLICIES (cont'd)

#### (e) Fixed assets (cont'd)

##### (v) Impairment and gain or loss on sale

At each balance sheet date, both internal and external sources of information are considered to assess whether there is any indication that fixed assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated and where relevant, an impairment loss is recognised to reduce the asset to its recoverable amount. Such impairment losses are recognised in the profit and loss account except where the asset is carried at valuation and the impairment loss does not exceed the revaluation surplus for the same asset, in which case it is treated as a revaluation decrease.

The gain or loss on disposal of a fixed asset is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the profit and loss account.

#### (f) Investment securities

Investment securities are stated at cost less any provision for impairment losses.

The carrying amounts of individual investments are reviewed at each balance sheet date to assess whether the fair values have declined below the carrying amounts. When a decline other than temporary has occurred, the carrying amount of such securities will be reduced to its fair value. The impairment loss is recognised as an expense in the profit and loss account. This impairment loss is written back to the profit and loss account when the circumstances and events that led to the write-downs or write-offs cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future.

#### (g) Inventories

Inventories comprise stocks and work in progress and are stated at the lower of cost and net realisable value. Cost, calculated on the weighted average basis, comprises materials, direct labour and an appropriate proportion of all production overhead expenditure. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

### 2. PRINCIPAL ACCOUNTING POLICIES (cont'd)

#### (h) Accounts receivable

Provision is made against accounts receivable to the extent they are considered to be doubtful. Accounts receivable in the balance sheet are stated net of such provision.

#### (i) Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks, cash investments with a maturity of three months or less from date of investment and bank overdrafts.

#### (j) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

#### (k) Government grants

A government grant is initially recognised as deferred income, when there is reasonable assurance that the Group will comply with the conditions attaching with it and that the grant will be received.

Grants relating to income are recognised in the profit and loss account on a systematic basis to match with the related costs which they are intended to compensate. Grants relating to assets are recognised in the profit and loss account, on a systematic basis over the useful life of the asset.

Government grants relating to the purchase of fixed assets are included in non-current liabilities as deferred income and are credited to the profit and loss account on a straight-line basis over the expected useful lives of the related assets.



### 2. PRINCIPAL ACCOUNTING POLICIES (cont'd)

#### (l) 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 accounts to the extent that a liability or an asset is expected to be payable or recoverable in the foreseeable future.

#### (m) Employee benefits

##### (i) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the balance sheet date.

##### (ii) Pension obligations

The Group participates in a number of defined contribution pension plans, the assets of which are generally held in separate trustee-administered funds. The pension plans are generally funded by payments from employees and by the relevant Group companies.

The Group's contributions to the defined contribution pension scheme are expensed as incurred and are reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions.

#### (n) Operating leases

Leases where substantially all the risks and rewards of ownership of assets remain with the leasing company are accounted for as operating leases. Payments made under operating leases net of any incentives received from the leasing company are charged to the profit and loss account on a straight-line basis over the lease periods.

### 2. PRINCIPAL ACCOUNTING POLICIES (cont'd)

#### (o) Contingencies

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the accounts. When a change in the probability of an outflow occurs so that the outflow becomes probable, it will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group.

Contingent assets are not recognised but are disclosed in the notes to the accounts when an inflow of economic benefits is probable. When the inflow is virtually certain, an asset is recognised.

#### (p) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset.

All other borrowing costs are charged to the profit and loss account in the year in which they are incurred.

## NOTES TO THE ACCOUNTS

(Amounts expressed in Hong Kong dollars)

### 2. PRINCIPAL ACCOUNTING POLICIES (cont'd)

#### (q) Segment reporting

In accordance with the Group's internal financial reporting the Group has determined that business segments be presented as the primary reporting format and geographical segments as the secondary reporting format.

Unallocated costs represent corporate expenses. Segment assets consist primarily of fixed assets, inventories, receivables and operating cash. Segment liabilities comprise operating liabilities and exclude items such as taxation and certain corporate borrowings. Capital expenditure mainly comprises additions to fixed assets and construction in progress, including additions resulting from acquisitions through purchases of subsidiaries.

In respect of geographical segment reporting, sales are based on the country in which the customer is located. Total assets and capital expenditure are where the assets are located.

### 3. TURNOVER, REVENUE AND SEGMENT INFORMATION

The Group is principally engaged in the manufacturing and distribution of aluminum and copper products. Revenues recognised during the year are as follows:

	<b>2002</b>	2001
	<b>HK\$'000</b>	HK\$'000
Turnover		
Sales of goods, net of value-added tax, returns and discounts	<b>875,676</b>	1,234,277
Other revenues		
Sales of by-products	<b>635</b>	758
Service income	<b>1,983</b>	1,129
Interest income	<b>391</b>	2,555
	<b>3,009</b>	4,442
Total revenue	<b>878,685</b>	1,238,719

## NOTES TO THE ACCOUNTS

(Amounts expressed in Hong Kong dollars)

### 3. TURNOVER, REVENUE AND SEGMENT INFORMATION (cont'd)

#### (a) Primary reporting format – Business segments

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.

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

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

There are no sales or other transactions between the business segments.

	Trading		Aluminium refinery		Copper refinery and smelters		Corporate and others		Total	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
<b>REVENUES</b>										
Sales of nonferrous metals	-	246,736	827,015	853,830	48,661	137,076	-	-	875,676	1,237,642
Net loss on metals future trading	-	(3,365)	-	-	-	-	-	-	-	(3,365)
									<b>875,676</b>	<b>1,234,277</b>
<b>OTHER REVENUES</b>	<b>81</b>	<b>1,004</b>	<b>1,391</b>	<b>3,078</b>	<b>635</b>	<b>40</b>	<b>902</b>	<b>320</b>	<b>3,009</b>	<b>4,442</b>
<b>RESULTS</b>										
Segment results	<b>37,510</b>	(308,335)	<b>38,343</b>	(61,765)	<b>1,292</b>	(35,170)	<b>(3,408)</b>	(372,108)	<b>73,737</b>	(777,378)
Finance costs									<b>(52,084)</b>	(58,325)
Share of profits less losses of associates	-	-	<b>470</b>	(6,877)	<b>5,381</b>	(35,088)	-	-	<b>5,851</b>	(41,965)
Taxation									<b>(2,487)</b>	(3,233)
Minority interests									<b>(5,341)</b>	17,893
Profit/(Loss) attributable to shareholders									<b>19,676</b>	(863,008)

## NOTES TO THE ACCOUNTS

(Amounts expressed in Hong Kong dollars)

### 3. TURNOVER, REVENUE AND SEGMENT INFORMATION (cont'd)

#### (a) Primary reporting format – Business segments (cont'd)

	Trading		Aluminium refinery		Copper refinery and smelters		Corporate and others		Total	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
<b>OTHER INFORMATION</b>										
Segment assets	<b>12,468</b>	28,836	<b>896,354</b>	795,687	<b>23,336</b>	36,700	<b>2,604</b>	9,264	<b>934,762</b>	870,487
Interests in associates	-	-	<b>7,622</b>	6,909	<b>57,359</b>	83,471	-	-	<b>64,981</b>	90,380
Total assets									<b>999,743</b>	960,867
Segment liabilities	<b>33,853</b>	196,567	<b>609,381</b>	526,481	<b>46,815</b>	58,795	<b>502,756</b>	386,530	<b>1,192,805</b>	1,168,373
Capital expenditures incurred during the year	-	18	<b>61,955</b>	51,171	<b>425</b>	235	<b>93</b>	93	<b>62,473</b>	51,517
Depreciation and amortisation	<b>7</b>	25	<b>52,924</b>	82,867	<b>412</b>	4,325	<b>157</b>	978	<b>53,500</b>	88,195
Impairment losses recognised in profit and loss account	-	-	<b>1,882</b>	9,617	-	31,466	<b>1,359</b>	10,413	<b>3,241</b>	51,496
Impairment losses directly charged to equity	-	-	-	-	-	-	-	6,496	-	6,496

## NOTES TO THE ACCOUNTS

(Amounts expressed in Hong Kong dollars)

### 3. TURNOVER, REVENUE AND SEGMENT INFORMATION (cont'd)

#### (b) Geographical segments

The Group's activities are conducted predominately in Hong Kong and Mainland China (the "PRC").

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

There are no sales between the geographical segments.

	The PRC		Hong Kong and others		Total	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
External revenue	<b>851,316</b>	1,111,163	<b>24,360</b>	123,114	<b>875,676</b>	1,234,277
Contribution to gross profit	<b>104,764</b>	63,519	<b>3,716</b>	271	<b>108,480</b>	63,790
Segment assets	<b>995,631</b>	950,335	<b>4,112</b>	10,532	<b>999,743</b>	960,867
Capital expenditure	<b>62,380</b>	51,406	<b>93</b>	111	<b>62,473</b>	51,517

## NOTES TO THE ACCOUNTS

(Amounts expressed in Hong Kong dollars)

### 4. OTHER OPERATING INCOME/(EXPENSES)

	<b>2002</b>	2001
	<b>HK\$'000</b>	HK\$'000
Reversal of provision/(provision) for foreseeable loss on a long-term purchase contract (see Note 25(i))	<b>43,806</b>	(56,040)
Gain on deconsolidation of a subsidiary under liquidation (Note (i))	<b>29,754</b>	–
Reversal of provision/(provision) for compensation in respect of outstanding claims and litigations	<b>6,829</b>	(16,256)
Reversal of provision/(provision) for impairment in value of investment securities	<b>99</b>	(594)
Provision for bad and doubtful debts		
– Amounts due from associates	<b>(13,957)</b>	(71,979)
– Long-term receivables	<b>–</b>	(200)
– Debtors and prepayments	<b>(8,734)</b>	(519,740)
Provision for impairment in value of fixed assets (other than land and buildings)	<b>(1,882)</b>	(36,745)
Provision for impairment in value of land and buildings	<b>(1,458)</b>	(12,544)
Provision for impairment in value of intangible assets	<b>–</b>	(1,613)
Others	<b>(1,342)</b>	(1,372)
	<b>53,115</b>	(717,083)

Note:

- (i) On 7th June, 2002, a creditor of Da Hua Non-ferrous Metals Company Limited ("Da Hua"), a wholly-owned subsidiary of the Company, filed a petition to the High Court ("the Court") of the HKSAR to seek an order from the Court to wind up Da Hua on the grounds that Da Hua failed to settle a sum of approximately HK\$20,661,000 due to that party. On 21st October, 2002, the Court ordered to wind up Da Hua and appointed provisional liquidators to manage the affairs of Da Hua. Since then, the Group has been unable to exercise control over Da Hua and the Group recorded a resultant gain on deconsolidation of the subsidiary under liquidation of approximately HK\$29,754,000.

## NOTES TO THE ACCOUNTS

(Amounts expressed in Hong Kong dollars)

### 5. PROFIT/(LOSS) FROM OPERATIONS

Profit/(Loss) from operations is determined after charging and crediting the following:

	<b>2002</b>	2001
	<b>HK\$'000</b>	HK\$'000
<b>Charging:</b>		
Depreciation	<b>53,500</b>	87,315
Loss on disposal of fixed assets	<b>769</b>	884
Loss on disposal of construction in progress	-	7
Amortisation of intangible assets	-	880
Operating lease rentals on land and buildings	<b>1,088</b>	1,360
Provision for inventory obsolescence	-	8,089
Auditors' remuneration	<b>1,200</b>	1,800
Exchange loss, net	<b>63</b>	-
	<b>63</b>	-
<b>Crediting:</b>		
Reversal of provision for inventory obsolescence	<b>338</b>	-
Gain on disposal of investment securities	-	1,934
Dividend income from investment securities	-	27
Exchange gain, net	-	261

### 6. FINANCE COSTS

	<b>2002</b>	2001
	<b>HK\$'000</b>	HK\$'000
Bank loans wholly repayable within five years	<b>52,448</b>	57,452
Other loans wholly repayable within five years	<b>1,256</b>	1,779
	<b>53,704</b>	59,231
Less: Interest capitalised in construction in progress	<b>(1,620)</b>	(906)
	<b>52,084</b>	58,325



## NOTES TO THE ACCOUNTS

(Amounts expressed in Hong Kong dollars)

### 7. TAXATION

The amount of taxation charged to the consolidated profit and loss account represents:

	<b>2002</b>	2001
	<b>HK\$'000</b>	HK\$'000
Provision for PRC Enterprise Income Tax	<b>2,179</b>	2,014
Share of income tax of associates	<b>308</b>	1,219
	<b>2,487</b>	3,233

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 for 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 exempted 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 in the tax rate for the immediate next three years.

The tax exemption and reduction period of one of the subsidiaries in the PRC expired in 2001, which is currently subject to Enterprise Income Tax at a tax rate of 33%. All other subsidiaries in the PRC still enjoy full tax exemption for the year.

### 8. PROFIT/(LOSS) ATTRIBUTABLE TO SHAREHOLDERS

Profit/(Loss) attributable to shareholders is dealt with in the accounts of the Company to the extent of loss of HK\$52,082,000 (2001: loss of HK\$699,597,000).

### 9. DIVIDENDS

No interim dividend was paid and the directors do not recommend the payment of a final dividend for the year ended 31st December, 2002.

### 10. EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings/(loss) per share is based on the Group's profit attributable to shareholders of approximately HK\$19,676,000 (2001: loss of HK\$863,008,000).

## NOTES TO THE ACCOUNTS

(Amounts expressed in Hong Kong dollars)

### 10. EARNINGS/(LOSS) PER SHARE (cont'd)

The basic earnings/(loss) per share is computed based on the weighted average of 1,319,726,950 shares (2001: 1,319,726,950 shares) in issue during the year.

No disclosure of diluted earnings/(loss) per share has been made as there was no potential dilutive shares in existence in 2002 and 2001.

### 11. STAFF COSTS

	<b>2002</b>	2001
	<b>HK\$'000</b>	HK\$'000
Staff costs, including directors' emoluments, consist of:		
Wages and salaries	<b>37,845</b>	36,042
Unutilised annual leave	<b>86</b>	–
Long service payment	<b>179</b>	–
Retirement scheme contributions (see Note 30)	<b>6,845</b>	10,922
	<b>44,955</b>	46,964

### 12. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

#### (a) Directors' emoluments

The aggregate amounts of emoluments payable to directors of the Company during the year are as follows:

	<b>2002</b>	2001
	<b>HK\$'000</b>	HK\$'000
Executive directors		
Fees	–	–
Salaries and other emoluments	<b>3,785</b>	3,510
Non-executive directors		
Fees	<b>381</b>	240
	<b>4,166</b>	3,750

## NOTES TO THE ACCOUNTS

(Amounts expressed in Hong Kong dollars)

### 12. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (cont'd)

#### (a) Directors' emoluments (cont'd)

During the year, no director waived any emoluments and no emoluments were paid or payable by the Group to any director as an inducement to join or as compensation for loss of office.

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

	Number of directors	
	2002	2001
Nil – HK\$ 1,000,000	11	6
HK\$ 1,500,001 – HK\$ 2,000,000	1	2
	<b>12</b>	8

#### (b) Five highest-paid individuals

The five individuals with the highest emoluments include three (2001: two) executive directors whose emoluments are disclosed in Note 12(a) above. The emoluments in respect of the remaining two (2001: three) individuals are as follows:

	2002	2001
	HK\$'000	HK\$'000
Salaries and other emoluments	858	1,914
Retirement scheme contributions	40	58
	<b>898</b>	1,972

## NOTES TO THE ACCOUNTS

(Amounts expressed in Hong Kong dollars)

### 12. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (cont'd)

#### (b) Five highest-paid individuals (cont'd)

Analysis of emoluments paid to the above two (2001: three) non-director individuals by number of individuals and emolument range is as follows:

	Number of individuals	
	2002	2001
Nil – HK\$ 1,000,000	2	2
HK\$ 1,000,001 – HK\$ 1,500,000	-	1
	<b>2</b>	<b>3</b>

During the year, no emoluments were paid or payable by the Group to the five highest-paid individuals as an inducement to join or as compensation for loss of office.

## NOTES TO THE ACCOUNTS

(Amounts expressed in Hong Kong dollars)

### 13. FIXED ASSETS

#### (a) The Group

	2002						
	Land and buildings	Leasehold improve- ments	Plant and machinery	Office equipment	Furniture and fixtures	Motor vehicles	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Cost or valuation</b>							
Beginning of year	242,403	1,164	717,227	1,337	26,593	22,330	1,011,054
Reclassification	-	-	-	6,038	(6,038)	-	-
Additions	314	20	879	117	939	553	2,822
Transfer from construction in progress	3,780	-	15,398	-	-	472	19,650
Disposals	(858)	-	(598)	(840)	(2,661)	(2,026)	(6,983)
<b>End of year</b>	<b>245,639</b>	<b>1,184</b>	<b>732,906</b>	<b>6,652</b>	<b>18,833</b>	<b>21,329</b>	<b>1,026,543</b>
<b>Analysis of cost or valuation is as follows:</b>							
At cost	<b>219,489</b>	<b>1,184</b>	<b>732,906</b>	<b>6,652</b>	<b>18,833</b>	<b>21,329</b>	<b>1,000,393</b>
At valuation - 1994	<b>26,150</b>	-	-	-	-	-	<b>26,150</b>
	<b>245,639</b>	<b>1,184</b>	<b>732,906</b>	<b>6,652</b>	<b>18,833</b>	<b>21,329</b>	<b>1,026,543</b>
<b>Accumulated depreciation and impairment losses</b>							
Beginning of year	108,295	1,164	497,897	1,287	16,964	18,216	643,823
Reclassification	-	-	-	2,695	(2,695)	-	-
Charge for the year	14,891	3	35,564	335	1,671	1,036	53,500
Disposals	(434)	-	(560)	(744)	(2,284)	(1,969)	(5,991)
Impairment charge	1,458	-	592	436	-	854	3,340
<b>End of year</b>	<b>124,210</b>	<b>1,167</b>	<b>533,493</b>	<b>4,009</b>	<b>13,656</b>	<b>18,137</b>	<b>694,672</b>
<b>Net book value</b>							
<b>End of year</b>	<b>121,429</b>	<b>17</b>	<b>199,413</b>	<b>2,643</b>	<b>5,177</b>	<b>3,192</b>	<b>331,871</b>
Beginning of year	134,108	-	219,330	50	9,629	4,114	367,231

## NOTES TO THE ACCOUNTS

(Amounts expressed in Hong Kong dollars)

### 13. FIXED ASSETS (cont'd)

#### (b) The Company

	<b>2002</b>				
	<b>Land and buildings HK\$'000</b>	<b>Leasehold improve- ments HK\$'000</b>	<b>Furniture and fixtures HK\$'000</b>	<b>Motor vehicles HK\$'000</b>	<b>Total HK\$'000</b>
<b>Cost or valuation</b>					
Beginning of year	26,073	1,163	2,419	2,223	31,878
Additions	–	19	79	–	98
Disposals	–	–	(443)	(195)	(638)
<b>End of year</b>	<b>26,073</b>	<b>1,182</b>	<b>2,055</b>	<b>2,028</b>	<b>31,338</b>
<b>Analysis of cost or valuation is as follows:</b>					
At cost	<b>4,823</b>	<b>1,182</b>	<b>2,055</b>	<b>2,028</b>	<b>10,088</b>
At valuation – 1994	<b>21,250</b>	–	–	–	<b>21,250</b>
	<b>26,073</b>	<b>1,182</b>	<b>2,055</b>	<b>2,028</b>	<b>31,338</b>
<b>Accumulated depreciation and impairment losses</b>					
Beginning of year	18,373	1,163	2,300	2,223	24,059
Charge for the year	188	4	62	–	254
Impairment charge	1,458	–	–	–	1,458
Disposals	–	–	(415)	(195)	(610)
<b>End of year</b>	<b>20,019</b>	<b>1,167</b>	<b>1,947</b>	<b>2,028</b>	<b>25,161</b>
<b>Net book value</b>					
<b>End of year</b>	<b>6,054</b>	<b>15</b>	<b>108</b>	<b>–</b>	<b>6,177</b>
Beginning of year	7,700	–	119	–	7,819

## NOTES TO THE ACCOUNTS

(Amounts expressed in Hong Kong dollars)

### 13. FIXED ASSETS (cont'd)

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

	The Group		The Company	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
<b>Land and buildings</b>				
Held in Hong Kong on				
– long-term leases (over 50 years)	<b>292</b>	300	<b>292</b>	300
Held in the PRC on				
– medium-term leases (10 – 50 years)	<b>109,369</b>	112,338	<b>5,762</b>	7,400
– short-term leases (less than 10 years)	<b>11,768</b>	21,470	–	–
	<b>121,429</b>	134,108	<b>6,054</b>	7,700

(d) Certain land and buildings of the Group and of 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 SSAP 17, "Property, Plant and Equipment" issued by the HKSA, 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, less accumulated depreciation and any impairment losses.

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

	2002 HK\$'000	2001 HK\$'000
The Group	<b>112,752</b>	127,998
The Company	<b>6,054</b>	7,700

## NOTES TO THE ACCOUNTS

(Amounts expressed in Hong Kong dollars)

### 13. FIXED ASSETS (cont'd)

- (e) Certain fixed assets of the Group with a net book value of approximately HK\$213 million (2001: HK\$219 million) are mortgaged to banks to secure certain banking facilities of the Group.

### 14. CONSTRUCTION IN PROGRESS

	The Group	
	2002	2001
	HK\$'000	HK\$'000
Beginning of year	<b>44,891</b>	22,562
Additions	<b>59,651</b>	46,375
Transfer to fixed assets	<b>(19,650)</b>	(24,071)
Disposals	-	(7)
Exchange adjustments	-	32
<b>End of year</b>	<b>84,892</b>	44,891

During the year, interest expense of approximately HK\$1,620,000 (2001: HK\$906,000) was capitalised and included in additions to assets in the course of construction.



## NOTES TO THE ACCOUNTS

(Amounts expressed in Hong Kong dollars)

### 15. INVESTMENTS IN SUBSIDIARIES

	<b>The Company</b>	
	<b>2002</b>	2001
	<b>HK\$'000</b>	HK\$'000
<hr/>		
Non-current assets		
Unlisted shares/ investments, at cost	<b>18,943</b>	20,407
Less: Provision for impairment in value	<b>(18,858)</b>	(16,071)
	<b>85</b>	4,336
	-----	-----
Amounts due from subsidiaries (Note (i))	<b>1,304,210</b>	1,315,333
Less: Provision for amounts due from subsidiaries	<b>(1,114,322)</b>	(1,115,294)
	<b>189,888</b>	200,039
	-----	-----
Amounts due to subsidiaries (Note (i))	<b>(67,220)</b>	(65,412)
	<b>122,753</b>	138,963
	-----	-----

*Notes:*

- (i) The amounts due from/to subsidiaries are unsecured and not repayable within one year. Except for certain amounts due from/to subsidiaries of approximately HK\$1,118,400,000 (2001: HK\$879,352,000) and HK\$12,585,000 (2001: Nil) respectively which bear interest at prevailing market rates, all amounts due from/to subsidiaries are interest-free.
- (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, 2002.

## NOTES TO THE ACCOUNTS

(Amounts expressed in Hong Kong dollars)

### 15. INVESTMENTS IN SUBSIDIARIES (cont'd)

The following is a list of the principal subsidiaries:

Name of company	Place of incorporation/ operation	Principal activities	Particulars of issued or paid-up capital*	Proportion of issued capital held by the Company	
				Directly	Indirectly
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 (Hong Kong) Limited	Hong Kong	Investment holding	2 shares of HK\$1 each	–	100%
Parkfield Far East Limited	Hong Kong	Investment holding	10,000 shares of HK\$1 each	–	100%

## NOTES TO THE ACCOUNTS

(Amounts expressed in Hong Kong dollars)

### 15. INVESTMENTS IN SUBSIDIARIES (cont'd)

Name of company	Place of incorporation/ operation	Principal activities	Particulars of issued or paid-up capital*	Proportion of issued capital held by the Company	
				Directly	Indirectly
Topstart Limited	British Virgin Islands/ Hong Kong	Investment holding	50,000 shares of US\$1 each	–	100%
North China Aluminium Company Limited #	PRC	Production and sale of aluminium foil and extrusions	Rmb344,800,000	–	51%
Yinkou OrienMet Plica Tube Company Limited #	PRC	Production and sale of copper plica tubes	US\$4,000,000	–	51%
Yixing Jinfeng Copper Materials Company Limited #	PRC	Production and sale of copper wires	US\$2,619,048	–	58%
Zhangzhou International Aluminium Container Company Limited #	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 their statutory accounts are not audited by PricewaterhouseCoopers.

Note:

On 7th June, 2002, a creditor of Da Hua, a wholly-owned subsidiary of the Company, filed a petition to the Court of the HKSAR to seek an order from the Court to wind up Da Hua on the grounds that Da Hua failed to settle a sum of approximately HK\$20,661,000 due to that party. On 21st October, 2002, the Court ordered to wind up Da Hua and appointed provisional liquidators to manage the affairs of Da Hua. Since then, the Group has been unable to exercise control over Da Hua and Da Hua has been deconsolidated from the consolidated accounts of the Group (see Note 4(i)).

## NOTES TO THE ACCOUNTS

(Amounts expressed in Hong Kong dollars)

### 15. INVESTMENTS IN SUBSIDIARIES (cont'd)

Supplementary financial information of Da Hua is as follows:

	<b>2002</b> <b>HK\$'000</b>	<b>Previous</b> <b>years since</b> <b>acquisition</b> <b>HK\$'000</b>
Losses dealt with in the consolidated accounts	<b>502</b>	33,947
Losses not dealt with in the consolidated accounts	-	-

### 16. INTERESTS IN ASSOCIATES AND AMOUNTS DUE TO ASSOCIATES

	<b>The Group</b>	
	<b>2002</b> <b>HK\$'000</b>	2001 HK\$'000
Share of net assets	<b>34,671</b>	36,780
Amounts due from associates (Note (i))	<b>149,349</b>	125,579
Less: Provision for doubtful debts	<b>(119,039)</b>	(71,979)
	<b>30,310</b>	53,600
	<b>64,981</b>	90,380
Amounts due to associates (Note (i))	<b>12,381</b>	9,100

Note:

- (i) The balances with associates are unsecured and have no fixed terms of repayment. Except for certain amounts due from associates of approximately HK\$97 million (2001: HK\$107 million) which bear interest at prevailing market rates, all balances with associates are interest-free.

## NOTES TO THE ACCOUNTS

(Amounts expressed in Hong Kong dollars)

### 16. INTERESTS IN ASSOCIATES AND AMOUNTS DUE TO ASSOCIATES

(cont'd)

The Group's share of the post-acquisition losses of associates as at 31st December, 2002 was approximately HK\$254 million (2001: HK\$262 million).

Supplementary financial information of the major associate is as follows:

	<b>The Group</b>	
	<b>2002</b>	2001
	<b>HK\$'000</b>	HK\$'000
<b>Balance sheet</b>		
Non-current assets	<b>133,399</b>	141,962
Current assets	<b>188,546</b>	208,521
Current liabilities	<b>209,960</b>	230,995
<b>Profit and loss account</b>		
Turnover	<b>1,271,955</b>	1,575,250
Profit before taxation	<b>21,524</b>	37,425
Profit after taxation	<b>20,292</b>	32,658

The directors are of the opinion that the underlying values of the associates are not less than their carrying values as at 31st December, 2002.

## NOTES TO THE ACCOUNTS

(Amounts expressed in Hong Kong dollars)

### 16. INTERESTS IN ASSOCIATES AND AMOUNTS DUE TO ASSOCIATES

(cont'd)

The following is a list of the principal associates:

Name of company	Place of/ incorporation operation	Principal activities	Particulars of issued or paid up capital	Proportion of issued capital held by the Company	
				Directly	Indirectly
Changzhou Jinyuan Copper Company Limited	PRC	Production and sale of copper rods	Rmb100,000,000	–	47.5%
Changzhou OrienMet Copper Company Limited*	PRC	Production and sale of copper rods and copper cathodes	Rmb79,000,000	–	50%
Huludao OrienMet Copper Company Limited*	PRC	Production and sale of copper blisters	US\$46,600,000	–	30%
Qingdao M.C. Packaging Limited*	PRC	Production and sale of aluminium cans	US\$25,000,000	–	20%
Shanghai Jing Bao Copper Foil Limited*	PRC	Production and sale of copper foil	Rmb29,450,000	–	25%
Yantai Penghui Copper Industry Company Limited*	PRC	Production and sale of copper cathodes	Rmb132,000,000	–	42%
Yinxing Company Limited*	PRC	Sale of aluminum ingots	Rmb14,322,600	–	34%

\* *Statutory accounts of these companies are not audited by PricewaterhouseCoopers.*

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

## NOTES TO THE ACCOUNTS

(Amounts expressed in Hong Kong dollars)

### 17. INVESTMENT SECURITIES

	The Group		The Company	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Unlisted investments, at cost	<b>2,538</b>	3,821	-	-
Less: Provision for impairment in value	<b>(500)</b>	(1,783)	-	-
	<b>2,038</b>	2,038	-	-
Listed investments, at cost	<b>64,443</b>	64,443	<b>64,443</b>	64,443
Less: Provision for impairment in value	<b>(64,335)</b>	(64,434)	<b>(64,335)</b>	(64,434)
	<b>108</b>	9	<b>108</b>	9
	<b>2,146</b>	2,047	<b>108</b>	9
Listed in Hong Kong at carrying value	<b>108</b>	9	<b>108</b>	9
Quoted market value of listed securities	<b>108</b>	2	<b>108</b>	2

### 18. LONG-TERM RECEIVABLES

	The Group		The Company	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Long-term receivables	<b>6,426</b>	6,426	<b>200</b>	200
Less: Provision for doubtful debts	<b>(200)</b>	(200)	<b>(200)</b>	(200)
	<b>6,226</b>	6,226	-	-

Long-term receivables of the Group and of the Company are unsecured, interest-free and not repayable within one year.

## NOTES TO THE ACCOUNTS

(Amounts expressed in Hong Kong dollars)

### 19. INVENTORIES

	<b>The Group</b>	
	<b>2002</b>	2001
	<b>HK\$'000</b>	HK\$'000
Raw materials	<b>58,497</b>	65,704
Work in progress	<b>61,572</b>	84,442
Finished goods	<b>94,842</b>	108,283
	<b>214,911</b>	258,429
Less: Provision for inventory obsolescence	<b>(6,756)</b>	(8,089)
	<b>208,155</b>	250,340

Included in finished goods are inventories of approximately HK\$9 million (2001: HK\$21 million) that are stated at their net realisable values.

### 20. TRADE RECEIVABLES, PREPAYMENTS AND OTHER RECEIVABLES

The Group normally grants a credit period ranging from 30 days to 90 days to its trade customers. Included in the Group's trade receivables, prepayments and other receivables are trade receivable balances, net of provision for doubtful debts, of approximately HK\$174,974,000 (2001: HK\$117,343,000). An aging analysis of such trade receivables is shown as follows:

	<b>The Group</b>			
	<b>2002</b>		2001	
	<b>HK\$'000</b>	<b>%</b>	HK\$'000	%
Less than 6 months	<b>172,302</b>	<b>98</b>	111,865	95
6 months – 1 year	<b>2,553</b>	<b>2</b>	2,893	2
1-2 years	<b>119</b>	<b>-</b>	1,035	1
Over 2 years	<b>-</b>	<b>-</b>	1,550	2
	<b>174,974</b>	<b>100</b>	117,343	100



## NOTES TO THE ACCOUNTS

(Amounts expressed in Hong Kong dollars)

### 21. TRADE PAYABLES AND ACCRUED CHARGES

Included in the Group's trade payables and accrued charges are trade payable balances of approximately HK\$76,305,000 (2001: HK\$58,803,000). An aging analysis of such trade payables is shown as follows:

	The Group			
	2002		2001	
	HK\$'000	%	HK\$'000	%
Less than 6 months	<b>64,100</b>	<b>84</b>	47,766	81
6 months – 1 year	<b>1,671</b>	<b>2</b>	702	1
1 – 2 years	<b>4</b>	<b>–</b>	417	1
Over 2 years	<b>10,530</b>	<b>14</b>	9,918	17
	<b>76,305</b>	<b>100</b>	58,803	100

### 22. AMOUNTS DUE TO A SHAREHOLDER AND RELATED COMPANIES

The amounts due to a shareholder and related companies are unsecured and repayable on demand. Except for amounts due to a related company by the Group of approximately HK\$27,336,000 (2001: HK\$27,600,000) and amounts due to a related company by the Company of approximately HK\$16,920,000 (2001: HK\$17,600,000) which bear interest rate at prevailing market rate, all outstanding balances are interest-free.

### 23. AMOUNTS DUE TO MINORITY INVESTORS

The amounts due to minority investors are unsecured, interest-free and are repayable on demand.

## NOTES TO THE ACCOUNTS

(Amounts expressed in Hong Kong dollars)

### 24. TAXATION PAYABLE

(a) Taxation payable represents:

	The Group		The Company	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Provision for Hong Kong profits tax relating to prior years	512	512	-	-
Provision for PRC taxes	9,209	11,061	1,174	1,837
	<b>9,721</b>	11,573	<b>1,174</b>	1,837

(b) Deferred taxation

The Group has potential deferred tax assets of approximately HK\$123 million (2001: HK\$136 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 accounts as the directors consider that the realisation of the benefit in future years is uncertain.

### 25. PROVISIONS

	Compensation in respect of outstanding claims and litigations HK\$'000	The Group Foreseeable loss on a long-term purchase contract (Note (i)) HK\$'000	Total HK\$'000
As at 1st January, 2002	36,805	56,040	92,845
Less: Amount utilised	-	(12,234)	(12,234)
Unused amounts reversed	(6,829)	(43,806)	(50,635)
Deconsolidation of a subsidiary under liquidation	(20,661)	-	(20,661)
<b>As at 31st December, 2002</b>	<b>9,315</b>	<b>-</b>	<b>9,315</b>

## NOTES TO THE ACCOUNTS

(Amounts expressed in Hong Kong dollars)

### 25. PROVISIONS (cont'd)

Note:

- (i) The Group entered into a long-term contract with an overseas supplier for the purchase of alumina, which extends to 2004. During the year ended 31st December, 2001, the Group made a provision of approximately HK\$56,040,000, which was the total expected loss, computed on the market price of alumina, in fulfilling the purchase commitment. As a result of the rise in the market price of alumina, the unutilised provision of approximately HK\$43,806,000 was reversed during the year ended 31st December, 2002.
- (ii) The provisions have not been discounted as the effect of discounting is not expected to be material.

### 26. BANK LOANS

	The Group		The Company	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
<b>Within one year or on demand</b>				
Secured bank loans	<b>212,405</b>	163,952	-	-
Unsecured bank loans	<b>419,146</b>	449,292	<b>377,752</b>	373,668
Included under current liabilities	<b>631,551</b>	613,244	<b>377,752</b>	373,668
<b>After one year but within two years</b>				
Secured bank loans	<b>23,585</b>	93,396	-	-
<b>After two years but within five years</b>				
Secured bank loans	<b>152,830</b>	53,774	-	-
Included under non-current liabilities	<b>176,415</b>	147,170	-	-
	<b>807,966</b>	760,414	<b>377,752</b>	373,668

## NOTES TO THE ACCOUNTS

(Amounts expressed in Hong Kong dollars)

### 26. BANK LOANS (cont'd)

- (a) Certain bank loans of the Company are secured by a corporate guarantee given by a shareholder of the Company.
- (b) Certain bank loans of the Group are secured by (i) a corporate guarantee given by a shareholder of the Company; (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 of the Company of approximately HK\$389 million (2001: HK\$399 million) and HK\$378 million (2001: HK\$374 million), respectively, are already overdue as at the date of the approval of the accounts by the directors and have been included under current liabilities as at 31st December, 2002.

### 27. SHARE CAPITAL

	Number of shares			
	2002	2001	2002	2001
	'000	'000	HK\$'000	HK\$'000
<b>Authorised:</b>				
Ordinary shares of \$0.1 each	<b>3,000,000</b>	3,000,000	<b>300,000</b>	300,000
<b>Issued and fully paid:</b>				
Ordinary shares of \$0.1 each	<b>1,319,727</b>	1,319,727	<b>131,973</b>	131,973

## NOTES TO THE ACCOUNTS

(Amounts expressed in Hong Kong dollars)

### 28. RESERVES

#### (a) The Group

	Share premium	Revaluation reserve	General reserve	Capital reserve	PRC statutory reserves (Notes (c) & (d))	Exchange translation reserve	Accumulated losses	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st January, 2001	800,030	6,992	15,600	7,337	61,653	2,509	(520,366)	373,755
Transfer to PRC statutory reserves	-	-	-	-	1,093	-	(1,093)	-
Reclassification of reserves	-	-	-	-	641	-	(641)	-
Impairment in value of land and buildings	-	(6,496)	-	-	-	-	-	(6,496)
Exchange differences on consolidation	-	-	-	-	-	368	-	368
Loss for the year	-	-	-	-	-	-	(863,008)	(863,008)
At 31st December, 2001	800,030	496	15,600	7,337	63,387	2,877	(1,385,108)	(495,381)
Transfer to PRC statutory reserves	-	-	-	-	1,035	-	(1,035)	-
Deconsolidation of a subsidiary under liquidation	-	-	-	(7,337)	-	-	-	(7,337)
Profit for the year	-	-	-	-	-	-	19,676	19,676
<b>At 31st December, 2002</b>	<b>800,030</b>	<b>496</b>	<b>15,600</b>	<b>-</b>	<b>64,422</b>	<b>2,877</b>	<b>(1,366,467)</b>	<b>(483,042)</b>
At 31st December, 2001								
Company and subsidiaries	800,030	496	15,600	7,337	63,387	2,877	(1,131,108)	(241,381)
Associated companies	-	-	-	-	-	-	(254,000)	(254,000)
	<b>800,030</b>	<b>496</b>	<b>15,600</b>	<b>7,337</b>	<b>63,387</b>	<b>2,877</b>	<b>(1,385,108)</b>	<b>(495,381)</b>
<b>At 31st December, 2002</b>								
Company and subsidiaries	<b>800,030</b>	<b>496</b>	<b>15,600</b>	<b>-</b>	<b>64,422</b>	<b>2,877</b>	<b>(1,104,467)</b>	<b>(221,042)</b>
Associated companies	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(262,000)</b>	<b>(262,000)</b>
	<b>800,030</b>	<b>496</b>	<b>15,600</b>	<b>-</b>	<b>64,422</b>	<b>2,877</b>	<b>(1,366,467)</b>	<b>(483,042)</b>

## NOTES TO THE ACCOUNTS

(Amounts expressed in Hong Kong dollars)

### 28. RESERVES (cont'd)

#### (b) The Company

	<b>Share premium</b>	<b>Revaluation reserve</b>	<b>General reserve</b>	<b>Accumulated losses</b>	<b>Total</b>
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st January, 2001	800,030	4,951	15,600	(519,968)	300,613
Impairment in value of land and buildings	-	(4,951)	-	-	(4,951)
Loss for the year	-	-	-	(699,597)	(699,597)
At 31st December, 2001	800,030	-	15,600	(1,219,565)	(403,935)
Loss for the year	-	-	-	(52,082)	(52,082)
<b>At 31st December, 2002</b>	<b>800,030</b>	<b>-</b>	<b>15,600</b>	<b>(1,271,647)</b>	<b>(456,017)</b>

The Company had no reserve (2001: Nil) available for distribution as at 31st December, 2002.

- (c) According to the Articles of Association of PRC subsidiaries of the Group, they are required to transfer 5% of their net profits as stated in the accounts prepared under PRC accounting regulations to the statutory enterprise expansion reserve until the reserve reaches 50% of the registered capital. The transfer to this reserve must be made before the distribution of dividend to shareholders.

The statutory enterprise expansion reserve shall only be used to make up losses, to expand the PRC subsidiaries' production operations, or to increase the capital of the subsidiaries. Upon approval by a resolution of shareholders' general meeting, the subsidiaries may convert their statutory enterprise expansion reserve into share capital and issue bonus shares to existing shareholders in proportion to their existing shareholdings or increase the nominal value of each share. After converting the subsidiaries' statutory enterprise expansion reserve into capital, the balance of such reserve must not be less than 25% of the registered capital.

- (d) According to the Articles of Association of PRC subsidiaries of the Group, they are required to transfer 5% of their net profits as stated in the accounts prepared under PRC accounting regulations to the statutory general reserve. The transfer to this reserve must be made before the distribution of dividend to shareholders.

## NOTES TO THE ACCOUNTS

(Amounts expressed in Hong Kong dollars)

### 29. DEFERRED INCOME

Deferred income of the Group represents government grants obtained from PRC government of approximately HK\$28,302,000 (2001: Nil) for the purchase of certain plant and machinery of the Group.

### 30. 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, the Group and their employees make monthly contributions to the MPF Scheme at 5% of the employees' salaries 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, 2002 amounted to approximately HK\$6,845,000 (2001: HK\$10,922,000). The amount of forfeited contributions for the year amounted to approximately HK\$144,000 (2001: HK\$Nil).

### 31. SHARE OPTION SCHEME

Pursuant to 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 is authorised to grant options to directors and employees of the Company and any of its subsidiaries to subscribe for shares not exceeding in total of 10% of the Company's issued share capital at the date of the grant of the options. The Company is now in the process of revising the terms of the scheme to ensure compliance of the new requirements on share option schemes introduced by The Stock Exchange of Hong Kong Limited on 1st September, 2001.

There were no options granted or outstanding during the year.

## NOTES TO THE ACCOUNTS

(Amounts expressed in Hong Kong dollars)

### 32. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

#### (a) Reconciliation of profit/(loss) before taxation to net cash generated from operating activities

	<b>2002</b>	2001
	<b>HK\$'000</b>	HK\$'000
Profit/(Loss) before taxation	<b>27,504</b>	(877,668)
Share of profits and losses of associates	<b>(5,851)</b>	41,965
Depreciation	<b>53,500</b>	87,315
Amortisation of intangible assets	-	880
Interest income	<b>(391)</b>	(2,555)
Interest expense	<b>52,084</b>	58,325
Dividend income from investment securities	-	(27)
Gain on liquidation of an associate	-	(1,391)
Loss on disposal of fixed assets	<b>769</b>	884
Loss on disposal of construction in progress	-	7
Gain on disposal of investment securities	-	(1,934)
Gain on deconsolidation of a subsidiary under liquidation	<b>(29,754)</b>	-
Provision for impairment in value of fixed assets (other than land and buildings)	<b>1,882</b>	36,745
Provision for impairment in value of land and buildings	<b>1,458</b>	12,544
(Reversal of provision)/Provision for impairment in value of investment securities	<b>(99)</b>	594
Provision for impairment in value of intangible assets	-	1,613
Provision for bad and doubtful debts	<b>22,691</b>	591,919
(Reversal of provision)/Provision for compensation in respect of outstanding claims and litigations	<b>(6,829)</b>	16,256
(Reversal of provision)/Provision for foreseeable loss on a long-term purchase contract	<b>(43,806)</b>	56,040
(Reversal of provision)/Provision for inventory obsolescence	<b>(338)</b>	8,089
(Decrease)/Increase in provision for taxation	<b>(3,206)</b>	2,244
Exchange adjustments	-	289
Operating profit before working capital changes	<b>69,614</b>	32,134
Decrease in net amounts due from associates	<b>13,313</b>	28,073
Decrease/(Increase) in inventories	<b>42,523</b>	(5,504)
(Increase)/Decrease in trade receivables, prepayments and other receivables	<b>(66,489)</b>	49,255
Increase/(Decrease) in trade payables and accrued charges	<b>1,670</b>	(18,130)
Utilisation of provision for foreseeable loss on a long-term purchase contract	<b>(12,234)</b>	-
Increase/(Decrease) in bills payable	<b>21,698</b>	(11,106)
Net cash inflow generated from operations	<b>70,095</b>	74,722



## NOTES TO THE ACCOUNTS

(Amounts expressed in Hong Kong dollars)

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

#### (b) Analysis of changes in financing

	2002						
	Bank loans		Amount due to a shareholder	Amounts due to related companies	Amounts due to minority investors	Deferred income	Total
	Short-term	Long-term					
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st January	613,244	147,170	7,316	50,395	36,435	-	854,560
Proceeds from new bank loans	8,990	78,302	-	-	-	-	87,292
Repayment of bank loans	(39,740)	-	-	-	-	-	(39,740)
Reclassification of bank loans	49,057	(49,057)	-	-	-	-	-
Decrease in amount due to a shareholder	-	-	(2,838)	-	-	-	(2,838)
Decrease in amounts due to related companies	-	-	-	(1,349)	-	-	(1,349)
Interest accrued on an amount due to a related company	-	-	-	1,010	-	-	1,010
Decrease in amounts due to minority investors	-	-	-	-	(6,248)	-	(6,248)
Proceeds from government grants	-	-	-	-	-	28,302	28,302
<b>At 31st December</b>	<b>631,551</b>	<b>176,415</b>	<b>4,478</b>	<b>50,056</b>	<b>30,187</b>	<b>28,302</b>	<b>920,989</b>

## NOTES TO THE ACCOUNTS

(Amounts expressed in Hong Kong dollars)

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

#### (c) Deconsolidation of a subsidiary under liquidation

	<b>2002</b>	2001
	<b>HK\$'000</b>	HK\$'000
<b>Net liabilities disposed</b>		
Cash and bank deposits	<b>27</b>	–
Creditors and accrued charges	<b>(1,783)</b>	–
Provisions	<b>(20,661)</b>	–
	<b>(22,417)</b>	–
Negative goodwill	<b>(7,337)</b>	–
Gain on deconsolidation of a subsidiary under liquidation	<b>(29,754)</b>	–
	<b>2002</b>	2001
	<b>HK\$'000</b>	HK\$'000
Analysis of the net outflow in respect of the deconsolidation of a subsidiary under liquidation:		
Cash and bank deposits disposed	<b>(27)</b>	–

### 33. CONTINGENT LIABILITIES

- (a) As at 31st December, 2002, the Company provided corporate guarantees to a financial institution in respect of banking facilities extended to an associate amounting to approximately HK\$23,585,000 (2001: HK\$23,585,000).
- (b) As at 31st December, 2002, the Company had unsettled tax payables in respect of certain properties in the PRC which may result in 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 HK\$4,000,000 (2001: HK\$12,000,000).

## NOTES TO THE ACCOUNTS

(Amounts expressed in Hong Kong dollars)

### 34. COMMITMENTS

#### (a) Operating leases

As at 31st December, 2002, the Group's commitments in respect of rented premises under non-cancellable operating leases amounted to approximately HK\$520,000 (2001: HK\$1,205,000). Details of the total future minimum lease payments under non-cancellable operating leases are as follows:

	<b>The Group</b>	
	<b>2002</b>	2001
	<b>HK\$'000</b>	HK\$'000
Total future minimum lease payments payable:		
Within one year	<b>260</b>	646
After one year but within five years	<b>260</b>	559
	<b>520</b>	1,205

#### (b) Capital commitments in respect of purchase of plant and machinery are as follows:

	<b>The Group</b>	
	<b>2002</b>	2001
	<b>HK\$'000</b>	HK\$'000
Authorised and contracted for	<b>134,675</b>	14,223
Authorised but not contracted for	<b>79,027</b>	240,462
	<b>213,702</b>	254,685

## NOTES TO THE ACCOUNTS

(Amounts expressed in Hong Kong dollars)

### 35. RELATED PARTY TRANSACTIONS

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.

Other than as disclosed in note 22, material transactions with related parties during the year are as follows:

	<b>The Group</b>	
	<b>2002</b>	2001
	<b>HK\$'000</b>	HK\$'000
Sales of nonferrous metals to an associate	–	23,201
Purchases of nonferrous metals from an associate	<b>91,654</b>	138,679
Interest expense paid to related companies	<b>1,010</b>	1,416
Management fees paid to a shareholder	–	2,291
Rental income received from an associate	<b>283</b>	–

In the opinion of the directors, the related party transactions described above were carried out in the ordinary course of business.

### 36. APPROVAL OF ACCOUNTS

The accounts were approved and authorised for issue by the Board of Directors on 17th April, 2003.