



東方鑫源(集團)有限公司
Oriental Metals (Holdings) Company Limited



The directors of Oriental Metals (Holdings) Company Limited (“OriemMet” or “the Company”) are pleased to present the unaudited consolidated financial results of the Company and its subsidiaries (collectively referred to as the “Group”) for the six months ended 30 June 2003 (the “period”). These interim results have not been audited but have been reviewed by the audit committee of the Company.

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

		Six months ended 30 June	
		2003	2002
		(Unaudited)	(Unaudited)
	<i>Note</i>	HK\$'000	<i>HK\$'000</i>
Turnover	3	643,927	419,642
Cost of sales		(545,966)	(371,398)
Gross profit		97,961	48,244
Other revenues	3	3,171	1,376
Selling expenses		101,132	49,620
Administrative expenses		(20,483)	(14,504)
Other operating (expenses)/income	4	(31,163)	(29,640)
Profit from operations		(10,741)	4,463
Finance costs		38,745	9,939
Share of profits less losses of associates		(21,962)	(25,461)
Profit/(Loss) before taxation		16,783	(15,522)
Taxation	5	3,625	2,896
Profit/(Loss) after taxation		20,408	(12,626)
Minority interests	6	12,048	(2,629)
Profit/(Loss) attributable to shareholders		32,456	(15,255)
Interim dividend		(4,693)	(146)
Profit/(Loss) for the period		27,763	(15,401)
Earnings/(Loss) per share			
– Basic	7	2.10 cents	(1.17 cents)
– Diluted	8	–	–

CONDENSED CONSOLIDATED BALANCE SHEET

	Note	30 June 2003 (Unaudited) HK\$'000	31 December 2002 (Audited) HK\$'000
Non-current assets			
Fixed assets	9	308,104	331,871
Construction in progress	9	162,762	84,892
Interests in associates		49,456	64,981
Investments in securities		2,167	2,146
Long-term receivables		6,226	6,226
Deferred tax assets	10	14,943	–
		543,658	490,116
Current assets			
Inventories		151,328	208,155
Trade receivables, prepayments and other receivables	11	342,968	201,090
Taxation recoverable		1,869	1,516
Pledged bank deposits		1,620	3,056
Cash and bank deposits		91,279	95,810
		589,064	509,627
Current liabilities			
Trade payables and accrued charges	12	266,329	211,154
Bills payable		39,339	29,245
Amount due to a shareholder		4,478	4,478
Amount due to a related company		50,784	50,056
Amount due to an associate		17,058	12,381
Amounts due to minority investors		30,187	30,187
Taxation payable		9,542	9,721
Provisions		8,223	9,315
Bank loans	13	688,581	631,551
		1,114,521	988,088
Net current liabilities		(525,457)	(478,461)
Total assets less current liabilities		18,201	11,655

CONDENSED CONSOLIDATED BALANCE SHEET *(Continued)*

		30 June 2003 (Unaudited) HK\$'000	31 December 2002 (Audited) HK\$'000
	<i>Note</i>		
Financed by:			
Share capital		131,973	131,973
Reserves		(455,279)	(483,042)
Deficit on shareholders' funds		(323,306)	(351,069)
Minority interests		160,375	158,007
Non-current liabilities			
Bank loans	13	152,830	176,415
Deferred income		28,302	28,302
		181,132	204,717
		18,201	11,655

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Six months ended 30 June	
	2003	2002
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Net cash generated from/(used in) operating activities	39,531	(12,656)
Net cash used in investing activities	(75,182)	(44,397)
Net cash generated from financing activities	31,120	77,095
	<hr/>	<hr/>
Net (decrease)/increase in cash and cash equivalents	(4,531)	20,042
Cash and cash equivalents at 1 January	95,810	56,417
	<hr/>	<hr/>
Cash and cash equivalents at 30 June	91,279	76,459
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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Six months ended 30 June 2003 (Unaudited)								
	Share capital HK\$'000	Share premium HK\$'000	Revaluation reserve HK\$'000	General reserve HK\$'000	PRC statutory reserve HK\$'000	Exchange translation reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000	
1 January 2003	131,973	800,030	496	15,600	64,422	2,877	(1,366,467)	(351,069)	
Net profit for the period	-	-	-	-	-	-	27,763	27,763	
Transfer to PRC statutory reserve	-	-	-	-	970	-	(970)	-	
30 June 2003	<u>131,973</u>	<u>800,030</u>	<u>496</u>	<u>15,600</u>	<u>65,392</u>	<u>2,877</u>	<u>(1,339,674)</u>	<u>(323,306)</u>	
	Six months ended 30 June 2002 (Unaudited)								
	Share capital HK\$'000	Share premium HK\$'000	Revaluation reserve HK\$'000	General reserve HK\$'000	Capital reserve HK\$'000	PRC statutory reserve HK\$'000	Exchange translation reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
1 January 2002	131,973	800,030	496	15,600	7,337	63,387	2,877	(1,385,108)	(363,408)
Net loss for the period	-	-	-	-	-	-	-	(15,401)	(15,401)
Transfer to PRC statutory reserve	-	-	-	-	-	1,022	-	(1,022)	-
30 June 2002	<u>131,973</u>	<u>800,030</u>	<u>496</u>	<u>15,600</u>	<u>7,337</u>	<u>64,409</u>	<u>2,877</u>	<u>(1,401,531)</u>	<u>(378,809)</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM ACCOUNTS

1. Accounting Policies

The condensed consolidated interim accounts are prepared in accordance with Hong Kong Statement of Standard Accounting Practice (“SSAP”) 25 “Interim Financial Reporting” and the disclosure requirements set out in Appendix 16 of the Rules Governing the Listing of Securities (“Listing Rules”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The accounting policies and basis of preparation used in preparing the interim accounts are consistent with those used in the audited accounts for the year ended 31 December 2002 except that the Group has adopted SSAP 12 (revised) “Income Taxes” issued by the Hong Kong Society of Accountants, which is effective for accounting periods commencing on or after 1 January 2003.

On adoption of the revised SSAP 12, deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the accounts. Taxation rates enacted or substantively enacted by the balance sheet date are used to determine deferred taxation.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

In prior year, deferred taxation was accounted for at the current taxation rate 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 was expected to be payable or recoverable in the foreseeable future. Since the adoption of this revised SSAP had no material impact on the Group’s accounts in prior accounting periods, comparative figures have not been restated.

2. Going Concern Basis

As stated in the 2002 annual report, in view of the Group’s net current liabilities position, its deficit on shareholders’ funds and the substantial amount of overdue bank loans, there is doubt about the Group’s ability to continue as a going concern.

However, having considered the possible debts acquisition and subscription of new shares as proposed by China Minmetals H.K. (Holdings) Limited (details of which and the update of the progress have been published in the Company’s announcements dated 28 May 2003 and 19 August 2003), the directors and management are optimistic regarding the Group’s debts restructuring work. If the Group’s restructuring can be successfully implemented, the Group’s future operations can be maintained and new funding can be obtained to meet the Group’s financial obligations as they fall due. Accordingly, the accounts have been prepared on the going concern basis.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM ACCOUNTS (Continued)**3. Segment Information**(a) *By business segments*

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

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

	Six months ended 30 June (Unaudited)									
	Trading		Aluminium refinery		Copper refinery and smelters		Corporate and others		Total	
	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002
	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	116,708	-	512,125	388,861	15,094	30,781	-	-	643,927	419,642
Other revenues	1,169	-	1,120	1,022	416	337	466	17	3,171	1,376
Results										
Segment results	37,854	(5,677)	17,843	20,358	2,764	2,852	(19,716)	(7,594)	38,745	9,939
Finance costs									(21,962)	(25,461)
Share of profits less losses of associates									3,625	2,896
Taxation									12,048	(2,629)
Minority interests									(4,693)	(146)
Profit/(Loss) attribute to shareholders									27,763	(15,401)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM ACCOUNTS *(Continued)*

3. Segment Information *(Continued)*

(b) By geographical segments

The Group's activities are conducted predominately in Hong Kong and Mainland China. In presenting information on the basis of geographical segments, segment revenues are based on the geographical location of customers.

	Six months ended 30 June (Unaudited)		Contribution to	
	Turnover		gross profit	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Mainland China	550,905	405,259	68,518	46,441
Hong Kong and others	93,022	14,383	29,443	1,803
	<u>643,927</u>	<u>419,642</u>	<u>97,961</u>	<u>48,244</u>

4. Other Operating (Expenses)/Income

	Six months ended 30 June	
	2003 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000
Provision for bad and doubtful debts	(11,854)	–
Reversal of provision for outstanding claims	1,092	–
Reversal of provision for impairment in value of investments in securities	21	–
Reversal of provision in respect of a resolved litigation	–	9,453
Provision for foreseeable loss on a long-term purchase contract	–	(4,990)
	<u>(10,741)</u>	<u>4,463</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM ACCOUNTS (Continued)**5. Profit/(Loss) Before Taxation**

Profit/(Loss) before taxation is determined after charging and crediting the followings:

	Six months ended 30 June	
	2003	2002
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
<i>Charging:</i>		
Depreciation	24,034	24,174
Loss on disposal of fixed assets	-	22
Staff costs (including pension costs of HK\$3,499,000 (2002: HK\$3,751,000) and directors' emoluments)	28,660	27,384
Operating lease rentals on land and buildings	329	323
Exchange loss, net	39	4
	_____	_____
<i>Crediting:</i>		
Interest income	356	190
Gain on disposal of fixed assets	3	-
Waiver of director's emoluments	650	-
	_____	_____

6. Taxation

	Six months ended 30 June	
	2003	2002
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current tax		
People's Republic of China ("PRC") Enterprise Income Tax	(2,653)	(1,824)
Deferred taxation relating to the origination and reversal of temporary differences	14,943	-
Share of taxation attributable to associates	(242)	(805)
	_____	_____
	12,048	(2,629)
	_____	_____

NOTES TO THE CONDENSED CONSOLIDATED INTERIM ACCOUNTS *(Continued)*

6. Taxation *(Continued)*

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 period.

In accordance with relevant income tax 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 for the next three years thereafter.

The tax exemption and reduction period of one of the PRC subsidiaries expired and it is currently subject to Enterprise Income Tax at a rate of 33%. Another PRC subsidiary still enjoys a 50% reduction in the tax rate. All other PRC subsidiaries enjoy full tax exemption for the period.

7. Interim Dividend

The directors do not recommend the payment of interim dividend for the six months ended 30 June 2003 (2002: Nil).

8. 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\$27,763,000 (2002: loss of HK\$15,401,000) and the weighted average of 1,319,726,950 ordinary shares (2002: 1,319,726,950 ordinary shares) in issue during the period.

No disclosure of diluted earnings/(loss) per share has been made as there was no potential dilutive shares in existence in 2003 and 2002.

9. Capital Expenditure

	Construction in progress (Unaudited) <i>HK\$'000</i>	Fixed assets (Unaudited) <i>HK\$'000</i>
Net book value at 1 January 2003	84,892	331,871
Additions	78,016	152
Disposals	-	(423)
Transferred from construction in progress to fixed assets	(146)	146
Depreciation	-	(24,034)
Depreciation written back on disposals	-	392
	<hr/>	<hr/>
Net book value at 30 June 2003	162,762	308,104

NOTES TO THE CONDENSED CONSOLIDATED INTERIM ACCOUNTS (Continued)**10. Deferred Tax Assets**

The movement in deferred tax assets during the period is as follows:

	Impairment of assets		Tax losses		Others		Total	
	2003	2002	2003	2002	2003	2002	2003	2002
	(Unaudited) HK\$'000	(Audited) HK\$'000	(Unaudited) HK\$'000	(Audited) HK\$'000	(Unaudited) HK\$'000	(Audited) HK\$'000	(Unaudited) HK\$'000	(Audited) HK\$'000
At 1 January	-	-	-	-	-	-	-	-
Credited to profit and loss account	<u>4,032</u>	-	<u>10,281</u>	-	<u>630</u>	-	<u>14,943</u>	-
At 30 June 2003/ 31 December 2002	<u>4,032</u>	-	<u>10,281</u>	-	<u>630</u>	-	<u>14,943</u>	-

11. Trade Receivables, Prepayments and Other Receivables

The Group normally grants a credit period of 30 days to 90 days to its trade customers. Included in the Group's trade receivables, prepayments and other receivables are trade receivables balance, net of provision for doubtful debts, of approximately HK\$315,277,000 (2002: HK\$174,974,000). An aging analysis of such trade receivables is shown as follows:

	30 June 2003 (Unaudited)		31 December 2002 (Audited)	
	HK\$'000	%	HK\$'000	%
Less than 6 months	308,762	98	172,302	98
6 months – 1 year	6,264	2	2,553	2
1 – 2 years	251	-	119	-
Over 2 years	-	-	-	-
	<u>315,277</u>	<u>100</u>	<u>174,974</u>	<u>100</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM ACCOUNTS *(Continued)***12. Trade Payables and Accrued Charges**

Included in the Group's trade payables and accrued charges are trade payables balance of approximately HK\$126,985,000 (2002: HK\$76,305,000). An aging analysis of such trade payables is shown as follows:

	30 June 2003		31 December 2002	
	HK\$'000	%	<i>HK\$'000</i>	%
Less than 6 months	114,757	90	64,100	84
6 months – 1 year	1,395	1	1,671	2
1 – 2 years	13	–	4	–
Over 2 years	10,820	9	10,530	14
	126,985	100	76,305	100

13. Bank Loans

Certain bank loans of approximately HK\$387,000,000 (2002: HK\$389,000,000) are overdue and have been included under current liabilities as at 30 June 2003.

14. Contingent liabilities

As at 30 June 2003, the Group had contingent liabilities in respect of the following:

- (a) 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 (2002: HK\$23,585,000).
- (b) 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 are not expected to exceed HK\$4,000,000 (2002: HK\$4,000,000).
- (c) The Group had contingent liabilities in respect of trade bills discounted with recourse of approximately HK\$48,849,000 (2002: Nil).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM ACCOUNTS (Continued)**15. Commitments**(a) *Operating leases*

As at 30 June 2003, the Group's commitments in respect of rented premises under non-cancellable operating leases amounted to approximately HK\$412,000 (2002: HK\$520,000). Details of the total future minimum lease payments under non-cancellable operating leases are as follows:

	30 June 2003 (Unaudited) HK\$'000	31 December 2002 (Audited) HK\$'000
Total future minimum lease payments payable:		
Within one year	260	260
After one year but within five years	152	260
	412	520

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

	30 June 2003 (Unaudited) HK\$'000	31 December 2002 (Audited) HK\$'000
Authorised and contracted for	24,717	134,675
Authorised but not contracted for	111,716	79,027
	136,433	213,702

16. Related Party Transactions

(a) During the period, the Group entered into the following material transactions with related parties in the ordinary course of business:

	Six months ended 30 June 2003 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000
Purchases of nonferrous metals from an associate	51,961	66,051
Interest expense paid to a related company	479	508
Rental income received from an associate	127	142

NOTES TO THE CONDENSED CONSOLIDATED INTERIM ACCOUNTS *(Continued)***16. Related Party Transactions** *(Continued)*

- (b) The amounts due to a shareholder and a related company are unsecured and repayable on demand. Except for an amount due to a related company of approximately HK\$28,066,000 (2002: HK\$27,336,000) which bears interest at prevailing market rate, all outstanding balances are interest free.

17. Financial Assistance and Guarantee to Associates

As at 30 June 2003, the Group's financial assistance to, and guarantee given for a bank loan granted to its associates amounted to, in aggregate, approximately HK\$36 million (net of provision of approximately HK\$117 million), representing more than 25% of the net assets value of the Group as at 30 June 2003 (The Group is 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 31 August 2003 (being the latest practicable date for this report) is set out below:

	Proforma combined balance <i>HK\$ million</i>	The Group's attributable interests <i>HK\$ million</i>
Non-current assets	139	35
Current assets	258	64
Current liabilities	(274)	(68)
Net current liabilities	(16)	(4)
Net assets	123	31
Share capital	94	24
Reserves	29	7
	123	31

All the above figures are unaudited.

MANAGEMENT DISCUSSION AND ANALYSIS

Results

Owing to the resumption of the trading business and the improved operating performance of the overall PRC industrial investments, turnover of the Group for the six months ended 30 June 2003 (amounted to approximately HK\$644 million) recorded an increase of 53% compared to the corresponding period in last year. Profit attributable to shareholders for the period amounted to approximately HK\$28 million (2002: loss of HK\$15 million), representing earnings per share of 2.10 cents (2002: loss per share of 1.17 cents).

Trading Business

In the first half of 2003, the demand for alumina greatly outstripped its supply, thereby driving up the spot price of alumina sharply. In view of this, the Group has resumed its trading operation in 2003.

As the Group has entered into a long-term purchase contract with a supplier, this can help to ensure a stable supply of alumina and improve the profit margin. The trading volume of alumina was approximately 60,000 tons for the period and it is expected to increase to approximately 120,000 tons in the second half of the year. Since the profit margin of alumina remains high and the Group is still in financial difficulties, the trading business will still concentrate on alumina this year.

Direct Industrial Investments

During the period, the Group had no material acquisition or disposal of subsidiaries or associates. The direct industrial investments have basically overcome the impact of the SARS outbreak, secured the smooth operations of the sales and production activities, and achieved a net profit of approximately HK\$11 million for the period.

Aluminium Refinery Business

For the period under review, stiff competition was still encountered in the PRC aluminium foil market. North China Aluminium Company Limited, by expanding its sales, recorded a small increase in profit. However, as affected by the SARS outbreak, the progress of the aluminium cold mill project has been slightly delayed. Qingdao M.C. Packaging Limited reported increase in both sales and profit. Zhangzhou Aluminium Container Company Limited, which was still affected by its financial problems, remained in a difficult position. Its joint venture period will also expire in September 2004.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Copper Refinery and Smelter Business

The supply of raw materials for copper smelters remained tight, making Huludao OrienMet Copper Company Limited and Yantai Penghui Copper Industry Company Limited continued to be loss-making. Changzhou OrienMet Copper Company Limited was ordered by the court to wind up on 2 June 2003. A creditors' meeting will be held on 28 September 2003. It is expected that the winding up process will be completed within a year. Shanghai Jing Bao Copper Foil Limited, with its fixed assets (which had already been taken over by the court in July 2002) disposed by the court in July 2003, would encounter problem in its continual operation.

Financial Resources and Cash Flow

During the period, net cash generated from operating activities amounted to approximately HK\$40 million (2002: net cash used of HK\$13 million). Net cash used in investing activities, mainly consist of the payment for additions to construction in progress, amounted to approximately HK\$75 million (2002: HK\$44 million). Net cash generated from financing activities, mainly derived from new bank loans, amounted to approximately HK\$31 million (2002: HK\$77 million). The cash and cash deposits of the Group decreased by approximately HK\$5 million (2002: increased by HK\$20 million). As at 30 June 2003, the Group had cash and cash deposits totalling approximately HK\$93 million (all are unpledged except for a Renminbi deposit of approximately HK\$2 million), of which 25% and 74% were denominated in United State dollars and Renminbi respectively, and the remaining portion was in Hong Kong dollars.

As at 30 June 2003, the Group's total outstanding bank loans amounted to approximately HK\$841 million (HK\$399 million at floating interest rates and the remainder at fixed interest rates), of which approximately HK\$153 million was repayable after more than one year. Of the total bank loans, 45% were denominated in United States dollars and the remainder in Renminbi.

As the Group was in a net liabilities position, the bank debt to equity ratio, which is measured as total bank loans (net of cash balances) as a proportion of shareholders' equity, has not been presented.

As at 30 June 2003, bank loans of approximately HK\$387 million in total remained overdue. A debts acquisition proposal has been made by China Minmetals H.K. (Holdings) Limited for certain portion of the above overdue bank loans (details of which and the update of the progress have been published in the Company's announcements dated 28 May 2003 and 19 August 2003).

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Progress of Debts Restructuring

As at the date of this result announcement, according to the information received by the Company, the intended dates of signing the agreements in relation to the proposed debts acquisition and subscription of new shares (as referred to in the announcement of the Company dated 19 August 2003) have not yet been determined. The Company will make further announcement as and when appropriate.

Investments for Capital Assets

As stated in 2002 annual report, a PRC subsidiary of the Group is undertaking a project for the modernization and upgrade of an aluminium cold mill. The total investment sum incurred up to 30 June 2003 was approximately HK\$118 million. The remaining costs of approximately HK\$67 million will be financed by bank borrowings and internal funding.

Charge on Assets

Certain fixed assets of the Group with a net book value of approximately HK\$191 million as at 30 June 2003 and a Renminbi deposit of approximately HK\$2 million were pledged to the banks to secure certain banking facilities of the Group.

Foreign Exchange Risk

Same as previous years, the Group has not entered into any foreign exchange contracts or related hedges as the foreign currency risk exposure is minimal.

Contingent liabilities

As at 30 June 2003, the Group had contingent liabilities in respect of trade bills discounted with recourse of approximately HK\$49 million. Other than this, there was no material change in the Group's contingent liabilities since 31 December 2002.

Employee

As at 30 June 2003, the Group employed about 2,500 staff (not including the staff of the associated companies). The Group adopts a pay policy in line with market practice. Remuneration is determined with reference to the performance and experience of individual staff. In addition, year-end double pay, discretionary bonus, medical insurance, provident fund and share option scheme are also granted to eligible staff. The Group places heavy emphasis on staff training and development. Different training programmes are provided as and when required.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Prospects

The Group has achieved gradual improvement for the period. The debt restructuring is underway; and it is hoped that the long-lasting financial problems can be gradually resolved. In addition, the nonferrous metals market becomes more favourable. The Group will seize these opportunities and well positioned itself so as to build a good foundation for its future business development.

SUPPLEMENTARY INFORMATION

Directors' Interests/Short Positions in the Shares, Underlying Shares and Debentures and Rights to Acquire Securities

As at 30 June 2003, other than certain nominee shares in the subsidiaries held by the directors in trust for the Company and its subsidiaries, none of the directors had any interests or short positions (including interests/short positions which any such director is deemed or taken to have under the provisions of the Securities and Futures Ordinance ("SFO")) in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are required to be entered into the register maintained by the Company under section 352 of the SFO, 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 period, 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.

SUPPLEMENTARY INFORMATION (Continued)**Substantial Shareholders' Interests/Short Positions in the Shares and Underlying Shares of the Company**

As at 30 June 2003, according to the register kept by the Company under section 336 of the SFO, the Company was notified of the following interests in the Company's issued share capital amounting to 5% or more of the issued share capital of the Company:-

Name	Capacity	Number of ordinary shares held	Percentage of total issued shares
The State Nonferrous Metals Industry Administration ("SNMIA")*	Interest of controlled corporation (Note 1)	596,044,203	45.16%
China Nonferrous Metals Holdings (Cook Islands) Limited ("CNCI")	Interest of controlled corporation (Note 1)	596,044,203	45.16%
China Nonferrous Metals Group (Hong Kong) Limited ("CNMG(HK)")**	Beneficial owner and interest of controlled corporation (Note 2)	596,044,203	45.16%
Mazar Limited ("Mazar")	Beneficial owner	288,028,520	21.82%

* On 19 February 2001, the State Economic and Trade Commission of 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 8 May 2002 and ordered that John Lees and Desmond Chiong be appointed as the liquidators of CNMG(HK) on 19 June 2002.

Notes:

- Given (a) CNMG(HK) was a wholly owned subsidiary of CNCI, and (b) CNCI was a wholly-owned subsidiary of SNMIA, these companies are deemed to be interested in the 308,015,683 shares of the Company held by CNMG(HK) and 288,028,520 shares of the Company held by Mazar by virtue of the SFO.
- Given Mazar is a wholly owned subsidiary of CNMG(HK), of the 308,015,683 shares of the Company in which CNMG(HK) is interested, CNMG(HK) was deemed to be interested in the 288,028,520 shares of the Company held by Mazar by virtue of the SFO.

Save as disclosed above, no other person was recorded in the register as having an interest or a short position in the shares and underlying shares of the Company in 5% or more of the issued share capital of the Company as at 30 June 2003.

SUPPLEMENTARY INFORMATION *(Continued)*

Purchase, Sale or Redemption of the Company's Securities

There was no purchase, sale or redemption of the Company's listed securities by the Company or any of its subsidiaries during the six months ended 30 June 2003.

Audit Committee

The audit committee of the Company has two members comprising two independent non-executive directors, Mr. Chan Wai Dune (Chairman) and Mr. Ting Leung Huel, Stephen. The principal duties of the audit committee are to review and supervise the financial reporting process and internal controls of the Company. The audit committee has reviewed the unaudited consolidated accounts for the six months ended 30 June 2003.

Code of Best Practice

None of the directors of the Company is aware of any information which would reasonably indicate that the Company is not, or was not, for any part of the six months ended 30 June 2003 in compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules of the Stock Exchange, except that the non-executive directors are not appointed for a specific term but are subject to retirement by rotation and re-election at annual general meeting of the Company in accordance with articles 101 and 85 of the Company's articles of association.

By order of the board
Xu Huizhong
Director and President

Hong Kong, 25 September 2003