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## ORIENTAL METALS (HOLDINGS) COMPANY LIMITED

### 東方鑫源（集團）有限公司

(Incorporated in Hong Kong under the Companies Ordinance)

*Executive Directors:*

Mr. GAO Dezhu (Chairman)  
Mr. XU Huizhong  
Mr. LAU Yat Ching  
Mr. XUN Gao  
Mr. WANG Xingdong  
Mr. DENG Weihua

*Registered Office:*

18th Floor  
China Minmetals Tower  
79 Chatham Road South  
Tsimshatsui  
Kowloon  
Hong Kong

*Non-executive Directors:*

Mr. CHAN Wai Dune\*  
Mr. Ting Leung Huel, Stephen\*

\* Independent non-executive Directors

23rd April, 2003

To the Shareholders of the Company

Dear Sir or Madam,

### GENERAL MANDATES TO REPURCHASE AND ISSUE SHARES OF THE COMPANY

#### ORDINARY RESOLUTIONS NOS. 4, 5 AND 6 – RENEWAL OF GENERAL MANDATES TO ISSUE SHARES AND REPURCHASE SECURITIES

Reference was made to the ordinary resolutions passed on 29th July, 2002 granting to the directors of the Company (the “Directors”) general mandates to allot, issue and otherwise deal with additional shares of the Company (the “Shares”) and to repurchase shares of the Company (the “Securities”) from the date of the said resolutions until whichever is the earliest of:

- (i) the conclusion of the next Annual General Meeting of the Company;
- (ii) the expiration of the period within which the next Annual General Meeting of the Company is required by Hong Kong law or the articles of association of the Company to be held; and
- (iii) the passing of an ordinary resolution by shareholders of the Company in general meeting revoking or varying the authority given to the Directors of the Company by such Resolutions.

The general mandates granted by such resolutions shall expire upon the conclusion of the Annual General Meeting of the Company to be held on 30th May, 2003 (“2003 AGM”). The Directors therefore seek your approval of the relevant resolutions to be proposed at the 2003 AGM in respect of renewing the respective general mandates to issue Shares and to repurchase Securities in the terms contained in the Ordinary Resolutions as set out in the notice of the 2003 AGM (the “AGM Notice”).

The following constitutes an explanatory statement required by the Rules Governing the Listing of Securities (the “Listing Rules”) on the Stock Exchange of Hong Kong Limited (the “Stock Exchange”) to be given to shareholders in connection with the approval of a securities repurchase mandate.

#### REASON FOR THE SECURITIES REPURCHASE MANDATE

Whilst the Directors do not presently intend to repurchase any Securities, they believe that the flexibility afforded by the mandate granted to them if the Ordinary Resolution No. 5 set out in the AGM Notice (the “Securities Repurchase Mandate”) is passed would be beneficial to the Company and its shareholders. Trading conditions on the Stock Exchange have sometimes been volatile in recent years and if there are occasions in the future when Securities are being traded at a discount to their underlying value, the ability of the Company to repurchase Securities can be beneficial to those shareholders who retain their investment in the Company since this may, depending on the circumstances, result in increases to the fully diluted net assets and/or earnings per share and will only be made when the Directors believe that such a repurchase will benefit the Company and its shareholders.

#### SHARE CAPITAL

As at 23rd April, 2003, being the latest practicable date prior to the printing of this document (the “Latest Practicable Date”), the total issued share capital of the Company is 1,319,726,950 fully paid-up ordinary shares of HK\$0.10 each.

The exercise of the Securities Repurchase Mandate up to 10 per cent limit would enable the Company to repurchase 131,972,695 Shares.

## SOURCE OF FUNDS

In repurchasing Securities, the Company may only apply funds entirely from the Company's available cashflow or working capital facilities, which will be funded legally available for such purpose in accordance with its Memorandum and Articles of Association and the Companies Ordinance. Such funds include but are not limited to the Company's profits available for distribution.

Whilst the Securities Repurchase Mandate, if exercised in full, may have a material adverse impact on the working capital or gearing position of the Company, the Directors expect to exercise such mandate if and to such extent only as they are satisfied that the exercise thereof will not have such a material adverse impact.

## DISCLOSURE OF INTERESTS

The Directors have undertaken to the Stock Exchange to exercise the power of the Company to make purchases pursuant to the Securities Repurchase Mandate in accordance with the Listing Rules and the Companies Ordinance.

None of the Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their associates, presently intend to sell Securities to the Company under the Securities Repurchase Mandate in the event that the latter is granted by the shareholders.

The company has not been notified by any connected persons (as defined in the Listing Rules) of the Company that they have a present intention to sell any Securities to the Company, or that they have undertaken not to sell any Securities held by them to the Company, in the event that Securities Repurchase Mandate is granted by the shareholders.

## HONG KONG CODE ON TAKEOVERS AND MERGERS

If as a result of a share repurchase by the Company, a shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for the purpose of the Hong Kong Code on Takeovers and Mergers. Accordingly, a shareholder, or a group of shareholders acting in concert, could obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Hong Kong Code on Takeovers and Mergers. In the event that any exercise of the repurchase mandate would, to the knowledge of the Directors, have such a consequence, the Directors would not exercise the mandate to such an extent.

As at the Latest Practicable Date, China Nonferrous Metals Holdings (Cook Islands) Limited ("CNMH") has an attributable interest of 45.16% in the issued share capital of the Company. In the event of the Securities Repurchase Mandate being exercised in full, the attributable interest of CNMH in the Company will increase to 50.18% and CNMH will be obliged to make a mandatory offer in accordance with the Rule 26 of the Takeovers Code unless the Executive (as defined in the Takeovers Code) agrees to waive the mandatory offer obligation under Rule 26 of the Takeovers Code.

## MARKET PRICE

The highest and lowest traded market prices for Shares recorded on the Stock Exchange during each of previous twelve months before the printing of this document were as follows :

	<b>Highest</b> <i>HK\$</i>	<b>Lowest</b> <i>HK\$</i>
<b>2002</b>		
April	0.330	0.245
May	0.330	0.226
June	0.305	0.220
July	0.250	0.137
August	0.148	0.090
September	0.124	0.095
October	0.108	0.090
November	0.096	0.080
December	0.110	0.085
<b>2003</b>		
January	0.099	0.085
February	0.184	0.094
March	0.170	0.123

## SECURITIES REPURCHASES MADE BY THE COMPANY

No repurchases of Securities have been made by the Company during the last six months (whether on Stock Exchange or otherwise).

## RECOMMENDATION

The Directors believe that the proposals described above are in the interest of the Company and its shareholders and accordingly recommend you to vote in favour of all the relevant resolutions to be proposed at the 2003 AGM.

Yours faithfully,  
By Order of the Board  
**Xu Huizhong**  
*Director and President*