



ORIENTAL METALS (HOLDINGS) COMPANY LIMITED

(incorporated in Hong Kong with limited liability)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2003

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

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 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Revenue										
Sales of nonferrous metals	<u>116,708</u>	–	<u>512,125</u>	<u>388,861</u>	<u>15,094</u>	<u>30,781</u>	–	–	<u>643,927</u>	<u>419,642</u>
Other revenues	<u>1,169</u>	–	<u>1,120</u>	<u>1,022</u>	<u>416</u>	<u>337</u>	<u>466</u>	<u>17</u>	<u>3,171</u>	<u>1,376</u>
Results										
Segment results	<u>37,854</u>	(5,677)	<u>17,843</u>	<u>20,358</u>	<u>2,764</u>	<u>2,852</u>	<u>(19,716)</u>	<u>(7,594)</u>	<u>38,745</u>	<u>9,939</u>
Finance costs										(21,962)
Share of profits less losses of associates										3,625
Taxation										12,048
Minority interests										(4,693)
Profit/(Loss) attribute to shareholders									<u>27,763</u>	<u>(15,401)</u>

(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)			
	Turnover		Contribution to gross profit	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Mainland China	<u>550,905</u>	<u>405,259</u>	<u>68,518</u>	<u>46,441</u>
Hong Kong and others	<u>93,022</u>	<u>14,383</u>	<u>29,443</u>	<u>1,803</u>
	<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	2002
	(Unaudited)	(Unaudited)
	HK\$'000	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>

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
	<u>53,062</u>	<u>52,907</u>
<i>Crediting:</i>		
Interest income	356	190
Gain on disposal of fixed assets	3	–
Waiver of director's emoluments	650	–
	<u>1,009</u>	<u>190</u>

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)
	<u>12,048</u>	<u>(2,629)</u>

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. Movement in Reserves

Pursuant to the legal requirements in the PRC, an appropriation agreed in a subsidiary of approximately HK\$970,000 (2002: HK\$1,022,000) was transferred to the PRC statutory reserve during the period.

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.

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).

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.

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.

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.

PUBLICATION OF DETAILED INTERIM RESULTS ANNOUNCEMENT ON THE STOCK EXCHANGE'S WEBSITE

A detailed announcement containing all the information in respect of the Company required by paragraphs 46(1) to 46(6) of Appendix 16 of the Listing Rules will be published on the Stock Exchange's website in due course.

By order of the board
Xu Huizhong
Director and President

Hong Kong, 25 September 2003

"Please also refer to the published version of this announcement in The Standard".