


  
**UNITED METALS HOLDINGS LIMITED**
  
**科鑄技術集團有限公司\***
  
*(Incorporated in the Cayman Islands with limited liability)*

**2002 ANNUAL RESULTS FINANCIAL HIGHLIGHTS**

- Total turnover increased 15.8% to HK\$134,163,000.
- Profit for the year increased 25.5% to HK\$28,539,000.
- Gross profit margin grew from 29.9% to 32.8%.
- Net profit margin rose from 19.6% to 21.3%.

**AUDITED RESULTS**

The Board of Directors (the "Board") of United Metals Holdings Limited (the "Company" or "United Metals") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December, 2002, together with the comparative figures for the previous year as follows:

	Notes	2002 HK\$'000	2001 HK\$'000
Turnover	2	134,163	115,845
Cost of sales		(90,218)	(81,247)
Gross profit		43,945	34,598
Other operating income		872	861
Selling and distribution expenses		(2,658)	(2,738)
Administrative expenses		(10,889)	(7,547)
Other operating expenses		(879)	(530)
Profit from operations	3	30,391	24,644
Finance costs		(24)	(23)
Profit before taxation		30,367	24,621
Taxation	4	(1,828)	(1,872)
Profit for the year		28,539	22,749
Dividend	5	14,979	-
Earnings per share – basic	6	17.3 cents	13.8 cents

**Notes:**

**1. GROUP REORGANISATION AND BASIS OF PREPARATION OF FINANCIAL STATEMENTS**

The Company was incorporated as an exempted company with limited liability in the Cayman Islands under the Companies Law of the Cayman Islands on 25 June, 2002.

Pursuant to a group reorganisation (the "Group Reorganisation") to rationalise the group structure in preparation for the listing of the Company's shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company became the holding company of the group (the "Group") on 13 December, 2002.

The Group Reorganisation principally involved the exchange of fully-paid shares of the Company with all the issued shares of United Non-Ferrous (Overseas) Limited ("United Overseas").

The Group resulting from the Group Reorganisation is regarded as a continuing entity. Accordingly, the financial statements of the Group have been prepared on merger basis in accordance with Statement of Accounting Practice No. 27 "Accounting for group reconstructions" issued by the Hong Kong Society of Accountants.

Details of the Group Reorganisation are set out in the prospectus (the "Prospectus") issued by the Company dated 19 December, 2002.

The shares of the Company have been listed on the Stock Exchange since 6 January, 2003.

**2. SEGMENTAL INFORMATION**

For management purposes, the Group's business can be categorized into four product groups which are the basis on which the Group reports its primary segment information.

Principal activities are as follows:

Aluminium parts	-	sale of aluminium die casting parts manufactured and processed by the Group.
Manufactured zinc parts	-	sale of zinc die casting parts manufactured and processed by the Group.
Processed zinc parts	-	sale of zinc die casting parts purchased from a supplier but processed by the Group.
Screw machined brass parts	-	sale of screw machined brass parts purchased from suppliers but processed by the Group.

**For the year ended 31 December, 2002**

	Aluminium parts HK\$'000	Manufactured zinc parts HK\$'000	Processed zinc parts HK\$'000	Screw machined brass parts HK\$'000	Others HK\$'000	Consolidated HK\$'000
<b>TURNOVER</b>	111,209	11,231	5,042	6,232	449	134,163
<b>RESULTS</b>						
Segment results	27,825	1,938	273	1,111	19	31,166
Expenses from investments in securities						(765)
Interest income						127
Unallocated corporate expenses						(137)
Profit from operations						30,391
Finance costs						(24)
Profit before taxation						30,367
Taxation						(1,828)
Profit for the year						28,539

**For the year ended 31 December, 2001**

	Aluminium parts HK\$'000	Manufactured zinc parts HK\$'000	Processed zinc parts HK\$'000	Screw machined brass parts HK\$'000	Others HK\$'000	Consolidated HK\$'000
<b>TURNOVER</b>	81,910	-	10,042	22,527	1,366	115,845
<b>RESULTS</b>						
Segment results	21,378	-	64	3,422	97	24,961
Expenses from investments in securities						(498)
Interest income						116
Unallocated corporate income						65
Profit from operations						24,644
Finance costs						(23)
Profit before taxation						24,621
Taxation						(1,872)
Profit for the year						22,749

**3. PROFIT FROM OPERATIONS**

	2002 HK\$'000	2001 HK\$'000
Profit from operations has been arrived at after charging:		
Amortisation of goodwill (included in other operating expenses)	114	-
Depreciation	5,420	3,866

**4. TAXATION**

	2002 HK\$'000	2001 HK\$'000
The charge comprises:		
Hong Kong Profits Tax		
Current year	694	644
Overprovision in previous years	(43)	(3)
Other jurisdictions	651	641
	1,177	1,231
	1,828	1,872

Hong Kong Profits Tax is calculated at 16% of the estimated assessable profit for the year.

Taxation in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

Pursuant to the relevant laws and regulations in the People Republic of China (the "PRC"), Dongguan United Metal Products Co., Ltd. 東莞鏗利五金制品有限公司 ("Dongguan United") is entitled to an exemption from the PRC enterprise income tax for two years commencing from its first profit-making year of operation and thereafter, Dongguan United is entitled to a 50% relief from the PRC enterprise income tax for the following three years. The reduced tax rate for the relief period is 12%. Dongguan United's first profit-making year is the year of 1999. Accordingly, provision for the PRC enterprise income tax has been provided for after taking account of these tax incentives during the year.

**5. DIVIDEND**

The dividends were declared and paid by the Company's wholly-owned subsidiary, United Overseas, to its then shareholders prior to the Group Reorganisation.

The directors do not recommend the payment of a dividend by the Company for the year.

**6. EARNINGS PER SHARE**

The calculation of the basic earnings per share for the year is based on the following data:

	2002 HK\$'000	2001 HK\$'000
Earnings for the purpose of basic earnings per share	28,539	22,749
Weighted average number of shares for the purpose of basic earnings per share (note)	165,000,000	165,000,000

Note: The weighted average number of shares for the purpose of basic earnings per share for the year is calculated as if the Group Reorganisation and the capitalisation issue as set out in Appendix V to the Prospectus had been effective at the beginning of the year.

**MANAGEMENT DISCUSSION AND ANALYSIS**

**Overview of the Global Die Casting Market**

Die castings are amongst the highest volume, mass-produced items manufactured by the metal working industries. With over 3,000 die casters in the world, the global die casting market has witnessed steady growth throughout the years. From 1998 to 2001, the global shipments of die casting increased from 4.6 million tons to 5.1 million tons. The biggest beneficiary from the rising demand of die casting is China, which posted a sustainable 7.8% in GDP. Possessing unparalleled competitive advantages including vast business potentials, competent and low cost labor force as well as abundant resources and geographical location, China is the one market that has attracted significant demands and captured business opportunities from various corners of the world and from a diversified range of industries, including the die casting industry.

Since the opening up of the China market in 1980's, many local and foreign manufacturers have relocated their manufacturing bases to China to reduce production and operational costs in order to increase their competitiveness. With the need to purchase die casting parts locally, these companies create a surging demand for quality and efficient die casting services.

In order to focus on sustaining market leadership in their core business, outsourcing has become a trend in the manufacturing industry where manufacturers sub-contract partial production processes to professionals who can satisfy their demanding needs and expectations. As such, United Metals, renowned for its expertise in die casting and scalable operations, benefited immensely from the favorable factors and captured vast business opportunities.

Today, as a global manufacturing base with booming domestic consumption market, the output of die casting in China witnessed a compounded annual growth rate ("CAGR") of 8% to 12% from 1992 to 2001, with an expected increase of 200% to 300% in capacity/volume output in the following five to ten years. It is evident that the die casting industry in China will continue to witness astounding growth and development.

**Business Review**

The Group's sound business growth is conspicuous, as evidenced by the CAGR of 18% in turnover from 1999 to 2002. For the year ended 31 December, 2002, the Group achieved an encouraging performance. Turnover increased by approximately 16% to reach HK\$134,163,000 in 2002 (2001: HK\$115,845,000). Gross profit increased by approximately 27% to reach HK\$43,945,000 in 2002 as compared to the HK\$34,598,000 in 2001. All in all, net profit for the year increased by approximately 26%, totaling HK\$28,539,000 in 2002 as compared to HK\$22,749,000 in 2001.

The growth in turnover was mainly attributable to the sale of aluminum die casting parts manufactured and processed by the Group which accounted for approximately 83% of the total turnover. The remaining 17% was attributable to approximately 12% sale of zinc die casting parts, approximately 4% sale of screw machined brass parts purchased from suppliers but processed by the Group and approximately 1% to the sale of plastic products which were not manufactured by the Group. The Group has recorded attractive and increasing profit thanks to its efficient facilities, stringent cost control and the increase in the depth and scope of its value added secondary process operation that assist to expanding market shares.

**Product Diversity**

United Metals is renowned for its smooth adoption and swift response to new industry trends. The Group offers comprehensive tailor-made products to offer choice and diversity for leading manufacturers of various industrial sectors to satisfy their ever-changing needs. For the year ended 31 December, 2002, the Group's service provision for automotive and related products accounted for 44% of the total turnover, followed by 25% for power hand tools, 14% for communications/optics/computer and electronic products, 5% for household appliances/consumer electronics and 12% for others. Evidently, the automotive industry has been the biggest contributor to the Group's turnover, and it is likely that it will continue to play a pivotal role in the future growth and development of the Group's business.

**International Customer Base and Widespread Geographical Coverage**

The Group's die casting products have attracted over 50 local and international customers spanning China, Japan, Singapore, North America and Europe. For the year ended 31 December, 2002, China is the biggest country of shipment delivery, contributing over 51% to the Group's total turnover. The second largest place of shipment delivery is North America at 26%, followed by Europe with 20% and Singapore with 3% to the Group's total turnover.

### Advanced Production and Inspection Facilities

Situated in Dongguan, China, the Group's production facilities, at the capacity utilization rate of approximately 70%, occupy a GFA of approximately 16,600 sq.m.. With over 80 sets of advanced production machineries and inspection equipment and abundant labor supply that ensure a quality, flexible and cost effective operation, the Group's annual production capacity has exceeded 4,500 tons in 2002.

### Stringent Quality Control

The Group is well equipped with advanced production facilities and stringent quality control equipment, including x-ray radiograph, spectrometer and computerized coordinate measuring machine, handled by a team of 35 dedicated staff. Such quality control standards has also earned worldwide accreditations and recognition, as the Group has been awarded the ISO 9001:2000 by TÜV since April 2002.

### Human Resources and Management

As at 31 December, 2002, the Group employed over 1,500 employees. Staff cost was 17% of the total turnover (2001: 12%). The Group has committed to providing employees with comprehensive staff training, including new staff training and continual skill development courses. Employees' performance were reviewed on a regular basis and bonuses averaged about one month salary were awarded accordingly. The Group has set up a share option scheme for its directors and eligible employees. However, during the year under review, no share options have been granted.

### Future Strategies

The global market value of die casting products has reached US\$15 billion. In view of a booming China economy and its entry into WTO, the die casting market has an encouraging outlook with vast growth and development potentials. The successful listing on the Main board of the Stock Exchange in January 2003 served as an important milestone for the Group's corporate development and brand building, while the net proceeds enabled the Group to commence its full-fledge expansion plans as stated during listing.

The Group clearly defined the upcoming strategies. Proven as a success, the Group will continue to strengthen and expand the existing export businesses from current and new clients for better value and quality of parts. Meanwhile the Group has identified two market segments that possess enormous growth potentials and plans to explore these markets in the near future: the China automotive industry which is expected to expand tremendously in the following five to ten years, and international industrial companies that are having or planning to have manufacturing bases in China. These companies offer great potential to the Group, as they outsource their parts/components and sub-assemblies from local suppliers and ship to their plants in China as well as the rest of the world.

Internally, the Group also intends to strengthen its production capacity to prepare itself for the increasing demand of die casting services. Once it has completed the first step, it will aggressively expand its customer base and geographical coverage in both local and overseas markets. Secondly, it will commit to further developing applications of magnesium alloys in die casting as well as other types of casting methods to diversify its product and service range. Last but not least, the Group will seek after cooperation opportunities with die-casters in North America and Europe to further extent its presence to other markets.

Having cemented its market position in China, United Metals is well prepared to achieve equal success in other parts of the world. From now on, the Group will gear itself towards a healthy development and robust market and product expansion to become the leading world-class die caster of the global market.

### Liquidity and financial resources

The Group generated a net cash inflows of approximately HK\$9,179,000 during the year ended 31 December, 2002, which had resulted in a cash on hand and bank balances of approximately HK\$21,734,000 as at the balance sheet date, an increase of approximately 73% over that of the previous year end.

Stock turnover days amounted to 54 days, compared with a yearly average of about 50 days for the previous three years. Debtors' turnover days were slightly increased to 74 days, reflecting longer credit terms extended to several significant long-term customers who are well established or publicly listed local companies, or internationally renowned industrial companies.

The Group's financial position remained healthy. In respect of its gearing position, which is represented by the ratio of total debts to total assets, the ratio was 6.0% (2001: 1.9%). Moreover, the Group's return on assets was about 22%, which indicated that the Group's assets were employed and utilised efficiently and effective in 2002.

The working capital of the Group was generally financed by the internally generated cash flows from its operation and its existing banking facilities. As at 31 December, 2002, the Group's cash on hand and bank balances amounting to approximately HK\$21,734,000 and secured bank loan amounting to approximately HK\$7,778,000, of which HK\$2,667,000 was due within one year. The Group had a net current assets amounting to HK\$51,674,000 and a current liabilities of HK\$26,828,000 as at 31 December, 2002.

	2002 HK\$'000	2001 HK\$'000
The secured bank loan is repayable as follows:		
Within one year	2,667	—
More than one year, but not exceeding two years	2,667	—
More than two years, but not exceeding five years	2,444	—
	7,778	—
Less: Amount due within one year and shown under current liabilities	(2,667)	—
Amount due after one year	5,111	—

### CONTINGENT LIABILITIES

As at 31 December, 2002, neither the Group, nor the Company had any contingent liabilities.

### ACQUISITION OF SUBSIDIARIES

Pursuant to a sale and purchase agreement dated 30 May, 2002 entered into between the Company and Kong Cheuk Luen, Trevor, a director and a shareholder of the Company, and Wong Kit Yue, spouse of Kong Cheuk Luen, Trevor, the Company acquired the entire issued share capital of Everhope Industrial Limited, which is engaged in the manufacturing and trading of metal products at the consideration of HK\$1,000,000.

### DISPOSAL OF INVESTMENT PROPERTY

The Group entered into a sale and purchase agreement dated 14 August, 2002 with Lau Luen Hung, Thomas, a director and a shareholder of the Company to dispose of the Group's investment property at its net book value of approximately HK\$2,210,000.

### EXPOSURE TO FOREIGN EXCHANGE RISKS

Almost all income and expenditure of the Group were denominated in RMB, HKD and USD in year 2002. With relatively stable HKD/USD and RMB/USD exchange rates during the year, the Group did not encounter any occasion in which fluctuations in currency had a material effect on its operations or liquidity.

### CORPORATE GOVERNANCE

The Company has complied in the period between the listing date and the date of this report, with the Code of Best Practice set out in Appendix 14 of the Listing Rules.

The Company's audit committee was formed on 11 December, 2002, comprising the independent non-executive directors at the time, Lee Tho Siem, Wong Wing Sing and Wang Jianguo.

### PUBLICATION OF RESULTS ON THE STOCK EXCHANGE'S WEBSITE

The Company's annual report containing all the information required by paragraph 45(1) to 45(3) of Appendix 16 of the Listing Rules will be published on the Stock Exchange's website in due course.

### ACKNOWLEDGEMENT

The Directors would like to thank our shareholders, suppliers, customers and staff for their non-faltering support and confidence, because their support is the fuel to our growth and future success. Look forward to the future and witness our journey of success.

By Order of the Board  
**Thomas Lau, Luen-hung**  
Chairman

Hong Kong, 9 April, 2003

\* For identification only

Website: <http://www.unitedmetals.com.hk>  
[http://www.iprasia.com/listco/united\\_metals](http://www.iprasia.com/listco/united_metals)

## NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the Annual General Meeting of United Metals Holdings Limited (the "Company") will be held at the Concord room 2-3, 8/F, Renaissance Harbour View Hotel Hong Kong, 1 Harbour Road, Wanchai, Hong Kong on Wednesday, 28 May, 2003 at 11:00 a.m. for the following purposes:-

1. To receive and consider the Financial Statements, Directors' Report and Auditors' Report for the year ended 31 December, 2002.
2. To re-elect retiring Directors and to authorize the Directors to fix the remuneration of the Directors.
3. To re-appoint Auditors and to authorize the Directors to fix the remuneration of the Auditors.

As special business, to consider and, if though fit, pass with or without amendments the following resolutions as Ordinary Resolutions:

#### 4A. "THAT:

- (a) subject to paragraph (c) below, the exercise by the Directors of the Company during the Relevant Period of all the powers of the Company to purchase shares of HK\$0.01 each in the capital of the Company subject to and in accordance with all applicable laws and requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited as amended from time to time be and is hereby generally and unconditionally approved;
- (b) the approval in paragraph (a) shall be in addition to any other authorization given to the Directors of the Company and shall authorize the Directors on behalf of the Company during the Relevant Period to procure the Company to purchase its shares at a price determined by the Directors;
- (c) the aggregate nominal amount of the shares which are authorized to be purchased by the Directors of the Company pursuant to the approval in paragraph (a) shall not exceed 10 per cent. of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing this resolution, and the said authority shall be limited accordingly; and
- (d) for the purpose of this resolution:  
"Relevant Period" means the period from the date of passing of this resolution 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 law or the Company's Articles of Association to be held; or
  - (iii) the date upon which the authority set out in this resolution is revoked or varied by way of ordinary resolution of the Company in general meeting."

#### 4B. "THAT:

- (a) subject to paragraph (c) below, the exercise by the Directors of the Company during the Relevant Period of all the powers of the Company to allot, issue and deal with additional shares in the capital of the Company and to make or grant offers, agreements, options and rights of exchange or conversion which might require the exercise of such powers be and is hereby generally and unconditionally approved;
- (b) the approval in paragraph (a) shall be in addition to any other authorization given to the Directors of the Company and shall authorize the Directors of the Company during the Relevant Period to make or grant offers, agreements, options and rights of exchange or conversion which might require the exercise of such powers after the end of the Relevant Period;

- (c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the Directors of the Company pursuant to the approval granted in paragraph (a), otherwise than pursuant to (i) a Rights Issue, or (ii) the share option scheme of the Company approved by The Stock Exchange of Hong Kong Limited, or (iii) any scrip dividend or similar arrangement providing for the allotment of shares in lieu of the whole or part of a dividend on shares of the Company in accordance with the Articles of Association of the Company, shall not exceed 20 per cent of the aggregate nominal amount of the issued share capital of the Company as at the date of passing this resolution, and the said approval shall be limited accordingly; and
- (d) for the purpose of this resolution:

"Relevant Period" shall have the same meaning as ascribed to it under the resolution set out in paragraph 4A (d) of the notice convening this Meeting; and

"Rights Issue" means an offer of shares open for a period fixed by the Directors of the Company to holders of shares on the register on a fixed record date in proportion to their then holdings of such shares (subject to such exclusions or other arrangements as the Directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognized regulatory body or any stock exchange in, any territory outside Hong Kong)."

#### 4C. "THAT:

conditional upon the passing of the resolutions set out in paragraphs 4A and 4B of the notice convening this Meeting, the general mandate granted to the Directors of the Company pursuant to the resolution set out in paragraph 4B of the notice convening this Meeting be and is hereby extended by the addition thereto of an amount representing the aggregate nominal amount of share capital of the Company purchased by the Company under the authority granted pursuant to the resolution set out in paragraph 4A of the notice convening this Meeting, provided that such amount shall not exceed 10 per cent. of the aggregate nominal amount of the issued share capital of the Company as at the date of passing this resolution."

5. To transact any other business.

By Order of the Board  
**Thomas Lau, Luen-hung**  
Chairman

Hong Kong, 9 April, 2003

#### Notes:

1. Any Shareholder entitled to attend and vote at the Meeting is entitled to appoint one or more separate proxies to attend and vote instead of him. A proxy need not be a Shareholder of the Company.
2. To be valid, a form of proxy in the prescribed form together with the power of attorney or other authority (if any) under which it is signed (or a notarially certified copy thereof) must be deposited at the Company's principal office in Hong Kong at Units 901-903, 9th Floor, Laford Centre, 838 Lai Chi Kok Road, Cheung Sha Wan, Kowloon, Hong Kong not less than 48 hours before the time fixed for holding the Meeting or at any adjournment thereof.
3. With respect to the resolution set out in paragraph 4A of the notice, approval is being sought from Shareholders for a general mandate to be given to the Directors to purchase shares of the Company.
4. With respect to the resolutions set out in paragraphs 4B and 4C of the notice, approval is being sought from Shareholders for general mandates to be given to the Directors to allot, issue and deal with shares of the Company in accordance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.
5. An explanatory statement containing the information with respect to the resolutions set out in paragraphs 4A to 4C of the notice of the Meeting will be sent to the Shareholders together with the 2002 Annual Report.