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## United Metals Holdings Limited

科鑄技術集團有限公司 \*

(incorporated in the Cayman Islands with limited liability)

### EXECUTIVE DIRECTORS

**Thomas Lau, Luen-hung** (Chairman)

**Tsang Chiu Wai**

**Kong Cheuk Luen, Trevor**

### INDEPENDENT NON-EXECUTIVE DIRECTORS

**Lee Tho Siem**

**Wong Wing Sing**

**Wang Jianguo**

### AUDIT COMMITTEE

**Lee Tho Siem**

**Wong Wing Sing**

**Wang Jianguo**

### COMPANY SECRETARY

**Cheung Mei Han ACIS, ACS**

### REGISTERED OFFICE

P.O. Box 309GT

Ugland House

South Church Street

Grand Cayman

Cayman Islands

### HEAD OFFICE AND

### PRINCIPAL PLACE OF BUSINESS

Unit 901-903, 9th Floor

Laford Centre, 838 Lai Chi Kok Road

Cheung Sha Wan, Kowloon

Hong Kong

Tel : (852) 2422 7636

Fax : (852) 2480 4462

Email: info@unitedmetals.com.hk

### CORPORATE WEBSITE

www.unitedmetals.com.hk

### SHARE LISTING AND STOCK CODE

**The Stock Exchange of Hong Kong Limited**

Stock Code: 2302

### SOLICITORS

**Sit, Fung, Kwong & Shum**

### AUDITORS

**Deloitte Touche Tohmatsu**

### PRINCIPAL BANKER

**Hang Seng Bank Limited**

### PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

**Computershare Hong Kong**

**Investor Services Limited**

Room 1901-05, 19th Floor

Hopewell Centre, 183 Queen's Road East

Hong Kong

\* For identification purpose only

## THREE-YEAR COMPARISON OF KEY FINANCIAL FIGURES

For the year ended 31 December,	2003 HK\$'000	2002 HK\$'000	2001 HK\$'000
Turnover	<b>150,545</b>	134,163	115,845
Gross profit	<b>46,747</b>	43,945	34,598
EBITDA	<b>36,619</b>	35,925	28,510
Profit for the year	<b>25,754</b>	28,539	22,749
Net cash inflow	<b>40,390</b>	9,179	4,678
Earnings per share – basic (HK cents)	<b>11.70</b>	17.30	13.80
Current ratio	<b>5.56</b>	2.93	5.33
Debt/Equity ratio (%)	<b>3.17</b>	7.92	2.20

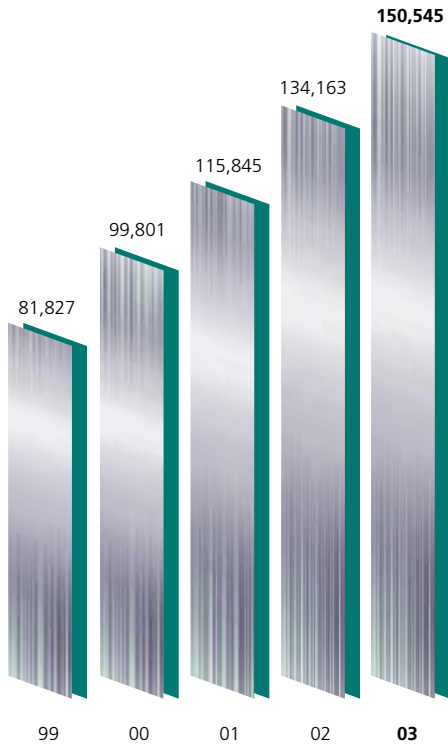
## FIVE-YEAR SUMMARY OF FINANCIAL PERFORMANCE

For the year ended 31 December,	2003 HK\$'000	2002 HK\$'000	2001 HK\$'000	2000 HK\$'000	1999 HK\$'000
Turnover	<b>150,545</b>	134,163	115,845	99,801	81,827
Operating costs	<b>(20,960)</b>	(14,426)	(10,815)	(11,208)	(8,813)
EBITDA	<b>36,619</b>	35,925	28,510	20,887	17,653
Other operating income	<b>2,191</b>	872	861	2,174	1,043
Finance costs	<b>(265)</b>	(24)	(23)	(39)	(169)
Profit for the year	<b>25,754</b>	28,539	22,749	18,398	14,970

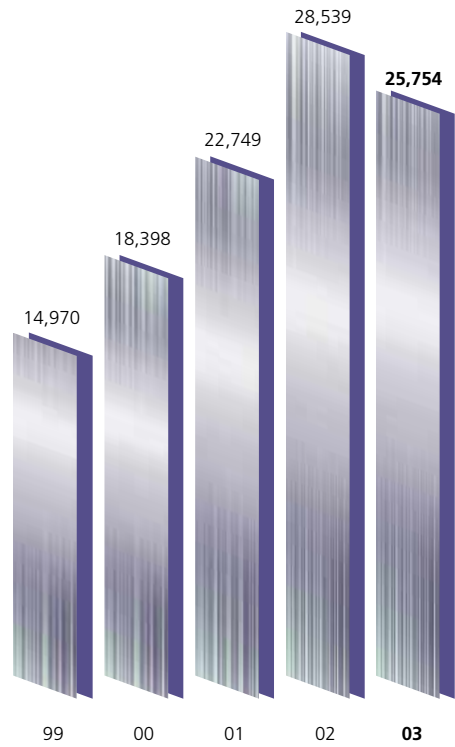
## FIVE-YEAR SUMMARY OF FINANCIAL POSITION

For the year ended 31 December,	2003	2002	2001	2000	1999
Total assets (HK\$'000)	<b>186,034</b>	130,190	97,313	78,524	52,357
Total liabilities (HK\$'000)	<b>(24,843)</b>	(31,939)	(12,695)	(16,614)	(22,871)
Shareholders' equity (HK\$'000)	<b>161,191</b>	98,251	84,618	61,910	29,486
Current liabilities/Shareholders' equity (%)	<b>13</b>	27	15	27	78
EBITDA/Finance costs (Times)	<b>138</b>	1,497	1,240	536	104
Current liabilities/EBITDA (Times)	<b>0.59</b>	0.75	0.45	0.80	1.30
Return on equity (%)	<b>16</b>	29	27	30	51

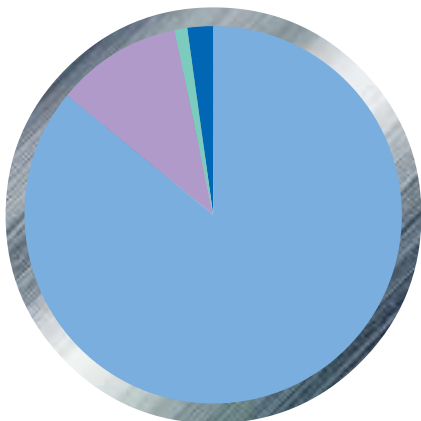
**TURNOVER**  
HK\$'000



**PROFIT FOR THE YEAR**  
HK\$'000

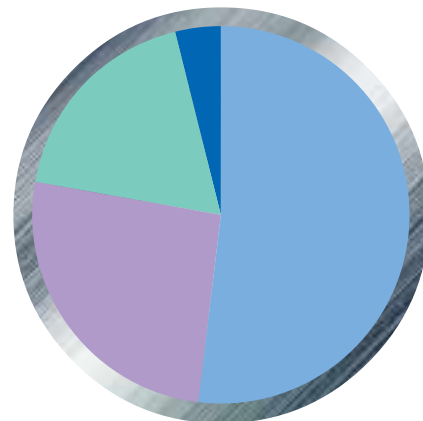


**TURNOVER BREAKDOWN BY BUSINESS**  
2003



- 85.9% Aluminum parts
- 10.8% Zinc parts
- 1.1% Screw machined brass parts
- 2.2% Others

**TURNOVER BREAKDOWN BY GEOGRAPHICAL AREA**  
2003



- 51.9% The PRC, including Hong Kong
- 25.9% North America
- 18.3% Europe
- 3.9% Others



To our shareholders,

I am pleased to present the annual report of United Metals Holdings Limited ("United Metals" or the "Group") for the year ended 31 December, 2003.

Driven by effects of the SARS epidemic, prolonged global economic recession and volatile raw material prices, 2003 was a year filled with challenges, which to a certain degree affected the performance of the majority of manufacturers worldwide. As one of the few world class die-casters in The People's Republic of China ("the PRC") market, United Metals leveraged on its depth in expertise, prudent management philosophies and dedication for excellence in 2003 to sustain its market leadership and to deliver satisfactory results, with turnover growing by 12.2% to reach approximately HK\$150.5 million.

04

2003 marked a year of progress for United Metals. To embrace the blossoming demand for die-casting products led by a gradual recovery of global market sentiment and a surge in demand for automotives, information technology, telecommunications and electronic devices, the Group managed to accomplish a number of significant business progresses during the year.

A background image showing a hand holding a large, circular die-casting part. The image is faded and serves as a backdrop for the text.

# United Metals to solidify its position as A World Class Company

In 2003, the United Metals enhanced its production capacity with the completion of its third die-casting workshop in Dongguan. In view of growing needs for one-stop die-casting services, the Group has also strengthened its vertically integrated service capability by introducing value-adding technologies with its services, including surface finishing, precision machining as well as paint spraying. In addition, the Group extended its product range and commenced the manufacturing of magnesium parts since 2002 with an aim to capture the booming market demand for light-weight products, as well as to position itself to attract new customers and contracts in the coming years.

Looking forward into 2004, market potentials for die-casting, especially in the PRC market will continue to be enormous. In view of the booming PRC economy and its cost effectiveness, foreign automotive manufacturers will continue to invest and operate in the PRC, the world's new manufacturing hub. With a view to capture market potentials, the Group has entered into an agreement to set up new production facilities in Shanghai for the provision of automotive parts die-casting services. These new facilities are expected to boost the Group's production capacity in folds upon establishment in mid 2005, thereby offering more complete services to its customers. This will be a big step for United Metals to solidify its position as a world-class company both in terms of scale and quality. Moreover, the Group has just officially obtained the right to sell directly to the PRC market, this will serve as a breakthrough for the Group in facilitating its strategic entrance into the PRC.

Since its successful listing in the Hong Kong Stock Exchange in 2003, United Metals has further solidified its financial platform to fortify its business growth. Adhering to its prudent and progressive management strategies, United Metals is always in its best preparation for the bright future. We equip ourselves not only to sustain our growth momentum, but also to offer variety of services for one-stop shop concept. What we seek to tap is the infinite growth potentials of the global die-casting market, especially with the booming die-casting demand in the PRC market.

We take this opportunity to thank our customers, suppliers and shareholders, and all those who have contributed to the accomplishments of United Metals in the past year. With your non-faltering support and confidence, the Group will continue to move forward and grow.

**Thomas Lau, Luen-hung**

Chairman

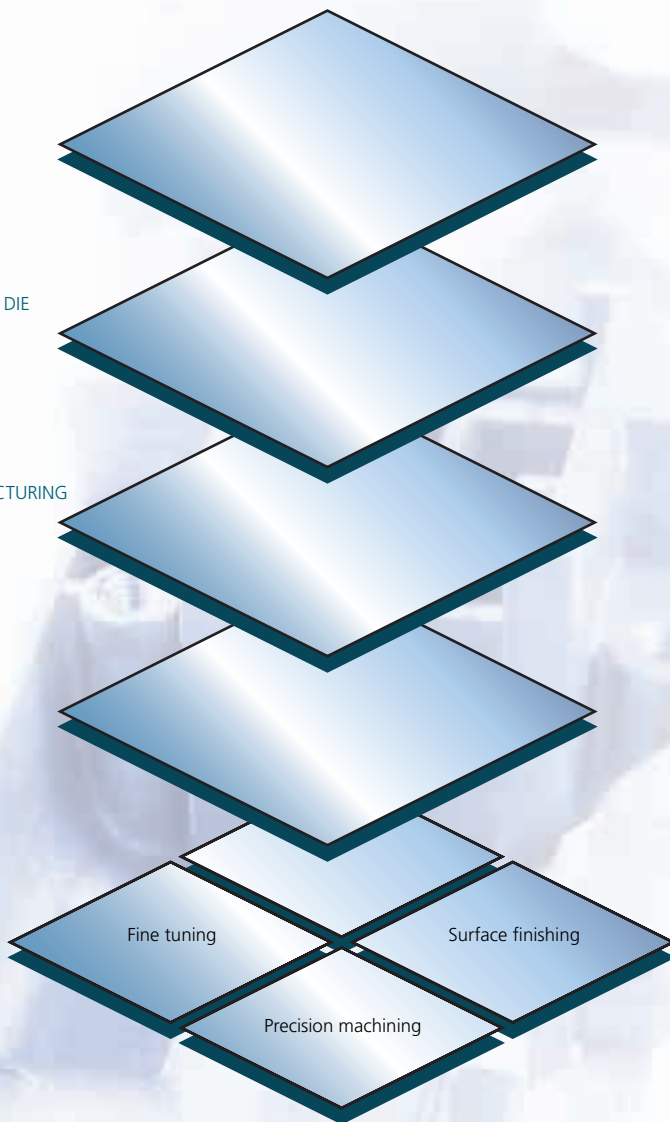
Hong Kong, 8 April, 2004

**DESIGN OF DIE**  
Innovation,  
customisation and  
design capability

**CONSTRUCTION OF DIE**  
Precision  
and accuracy

**PRIMARY MANUFACTURING**  
Technical expertise  
and efficiency

**SECONDARY  
MANUFACTURING**  
Value-added  
finishing services



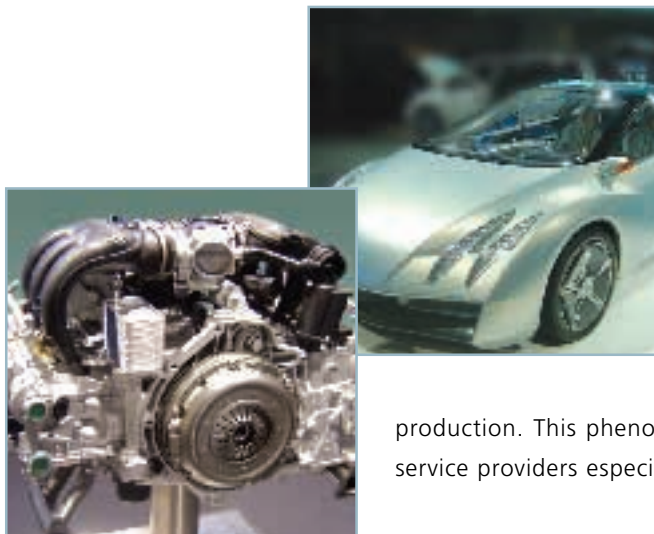
## INDUSTRY OUTLOOK

The year of 2003 was well regarded as a challenging and dynamic year for the global economy. Despite the outbreak of Severe Acute Respiratory Syndrome ("SARS"), which inevitably affected manufacturers in the worldwide, the market sentiment gradually improved in the second half of the year. According to the State of the Industry Report, *DIE CASTING ENGINEER*, which was published in January 2004, the global die-casting market continued to experience rapid surge in demand driven by evolving models for automotives, information technology, telecommunications and audio & video devices etc. It is believed that such growth momentum will further accelerate in the coming years.



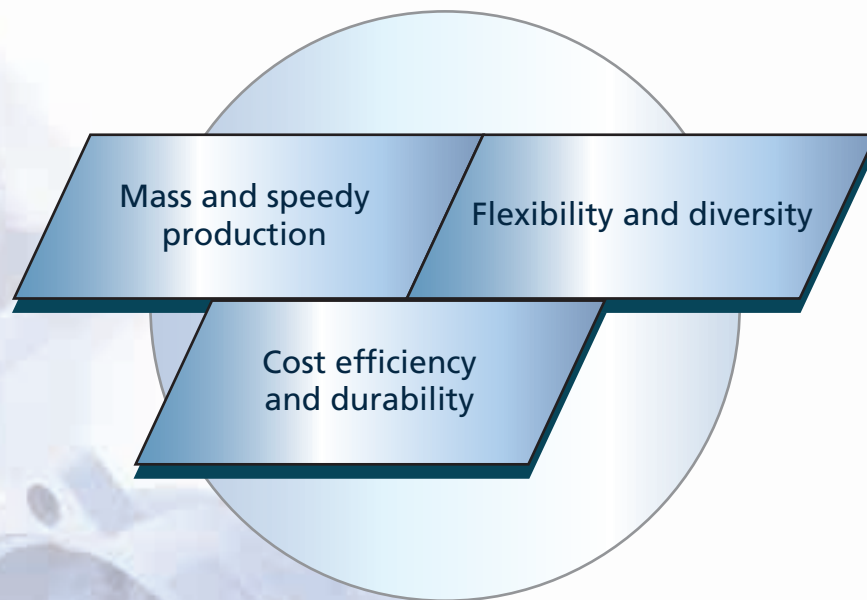


On a worldwide scale,  
**the automotive market**  
dominates the die casting market place



The People's Republic of China (the "PRC"), being the economic pulse of the new era, demonstrated its unrivaled competitiveness and global economic leadership by the instant and strong rebound right after SARS subsided. As a global manufacturing base with vast domestic consumption, the PRC continued to enjoy a booming demand for quality and efficient die-casting services, especially under the growing popularity of outsourcing of die-casting production. This phenomenon will keep on benefiting quality die-casting service providers especially in the Guangdong region.

The automotive sector, which constitutes about two-third of the total market for die-casting manufacturers in most industrialized countries, is by far the most important market for the world die-casting industry. While the global automotive industry has been expanding at a fairly modest rate in recent years, the adoption of aluminium and magnesium parts in cars and trucks, on the



Thanks to its sound and flexible business model, the Group managed to achieve a resilient growth over the year.

contrary, increased tremendously. The average aluminium and magnesium content in vehicles is now about 270 pounds per vehicle and 9 pounds per vehicle respectively. This is expected to grow to 350 pounds for aluminium and 40 pounds for magnesium within the next five years. This, coupled with the rapid expansion of the PRC automotive market, which is most likely to continue for many years, implies that the global die-casting market will expand dramatically in the foreseeable future.

Capturing the enormous potentials in both local and global die-casting markets, the Group, the fully vertically-integrated die-caster for both domestic and overseas customers, is well prepared to speed up its development and fortify its business growth.

#### BUSINESS REVIEW

For the year ended 31 December, 2003, the Group once again recorded an increase in turnover by 12.2% to approximately HK\$150.5 million. The growth is mainly attributable to increase in sale of aluminum die casting parts, which accounted for approximately 86% of turnover. Magnesium parts, since its commencement of production in 2002, has also started its profits contribution and is expected to become another source of income in near future.



a year of consolidation...

# Fully Vertically-Integrated

die-caster for domestic  
and international clients

Thanks to its sound and flexible business model, persistence in enhancing production capacity and dedication to product quality, the Group managed to minimize the adverse impact brought by the outbreak of SARS during the first half of year and achieved a resilient growth over the year. The Group expanded healthily in terms of client base and sales order, which was in parallel with the overall growing global die-casting market. With its dedication for operational efficiency and effectiveness, the Group also succeeded in combating the volatile raw material prices in 2003 and maintained the profit margin.

Profit for the year declined slightly by 9.8% to approximately HK\$25.8 million primarily due to the increase in labor cost and those administrative expenses for organizational re-structuring and listing compliance following its listing in the Stock Exchange. With the commencement of new production facilities, further economy of scale will be realized and growth in revenue is expected to resume in future.

## OPERATIONAL REVIEW

2003 marked a year of consolidation for the Group, the fully vertically-integrated die-caster for domestic and international clients. Despite the challenging environment, the Group maintained a steady organic growth during the year. Tapping the growing global die-casting market, the Group has also made several significant business progresses, with the aim not only to further expand its scope of business, but most important of all, to pave its way to capture the enormous market potentials ahead.

#### Enhanced production capacity

The Group continued to enhance its production capacity so as to fulfill the rise in the global and domestic demands for die-casting services. In line with its expansion plan, the third die-casting workshop in Dongguan was completed and commenced operation during 2003. Together with the two existing plants, current total GFA amounted to approximately 17,720 sq.m.. In light of the growing need for one-stop die-casting services, the scale of internal tooling center was enlarged by 100% to improve quality and productivity of the tooling process and over 18 units of new CNC machineries were installed to increase the capacity for perfecting machining of die-casting products. To enhance its surface finishing capability, the Group has also added a new paint spraying line, equipped with state-of-the-art ABB robotic operation.

By increasing advanced production machineries to 135 sets, at the utilization rate of approximately 80%, the Group enjoyed a surge of production capacity from approximately 250 tons per month in 2002 to 350 tons per month in 2003. Further benefits from the scale of economies will be expected in coming future.

#### Product diversification

The Group strived to provide a comprehensive range of product offerings with the aim to offer choices and diversity for leading manufacturers. Aluminium remained the most widely applicable metal alloy and the core income contribution for the Group, increased from approximately 83% in 2002 to 86% of the total sales volume in the year under review.

Magnesium parts, since its commencement of production 2002, started profit contribution for the Group. With the growing needs for lightweight, the demand for magnesium die-casting product will surge continuously.

#### Diversified clientele with new orders received

During the year under review, the Group significantly enlarged its client base. Turnover generated from the first five customers reduced from 67.1% to 55.8%, which marked a positive sign of risk diversification. With over 70 clients spanning across the PRC, Japan, Singapore, North America and Europe, the PRC remained the largest shipment delivery country, amounting to 51.9% of total turnover. Several new contracts have also been secured. In addition to the three-year contract with a compressor manufacturer, the Group have entered into agreement with several automotive manufacturers and commenced product development in particular items.

#### Captured potentials in the automotive market in the PRC

In view of the booming PRC economy and its entry into WTO, more foreign automotive manufacturers are expected to invest and commence production in the PRC, especially in Shanghai and Guangdong regions, while renowned local automotive manufacturers are also prepared to expand intensively to meet with booming domestic market demand. In view of the rising demand for automotive die-casting products in the PRC, the Group has entered into agreement with respective local authorities to build and operate new production facilities in the PRC.



To further expand its capability in automotive parts manufacturing, the Group has started to explore into the technology of gravity casting in the second half of 2003. It has also committed to implement the stringent quality system TS16949 to meet specific requirements of automotive supplier, with the aim to provide satisfactory services to this expanding group of clients.

#### FUTURE STRATEGIES

Looking forward, the PRC is expected to be one of the key die-casting markets with promising outlook. Capitalizing on its geographical advantage, together with the series of strategic moves made in 2003, the Group has fully prepared itself for future business growth. The Group will continue to solidify its business foundation as well as to speed up its pace of development in two particular market segments: automotive industry and international industrial companies with manufacturing bases in the PRC.

To capture the market potentials, the Group will continue to extend its production capacity for quality die-casting products and services. The new production facilities, divided into two phases, will be completed in mid 2005. Situated in Shanghai, the production facilities will cater particularly for the needs of those new entrances of foreign automotive manufacturers and international industrial companies in Shanghai and the surrounding regions. Upon completion of the project, production capacity will be significantly increased by four times as compared with its current facilities. In addition, the establishment of a new enterprise in Guangdong will also enjoy the official right of sales directly to the PRC market. The successful application of license will serve as a breakthrough for the Group, facilitating its strategic entrance into the PRC die-casting market in the future.



a single die can produce up to a  
**million pieces** of components  
Cost efficiency and durability

#### EMPLOYEES AND REMUNERATION POLICIES

As at 31 December, 2003, the Group had about 2,100 employees (at 31 December, 2002: 1,500) of whom 20 were based in Hong Kong (at 31 December, 2002: 15), 2,080 was based in the Group factories in Dongguan PRC (at 31 December, 2002: 1,485).

Remuneration policies and packages for the Group's employees are based on their performance, working experiences and condition prevailing in the industry. In addition to basic salaries, retirement schemes and medical scheme, discretionary share options and performance bonuses to eligible staff are according to the financial results of the Group and the performance of individual employees. To raise work quality and management abilities of its employees, the Group provides job rotation, in-house training and external training courses to employees.

## FINANCIAL REVIEW

### Liquidity and financial resources

In view of the net proceeds of approximately HK\$41,600,000 from the issue of 55,000,000 new shares during the year, together with the Group's profit generating cash from its operation, the Group's cash on hand increased from HK\$21,734,000 as at 31 December, 2002 to HK\$62,124,000 as at 31 December, 2003. As at 31 December, 2003, total bank borrowings was HK\$5,111,000 (at 31 December, 2002: HK\$7,778,000), of which HK\$2,667,000 (at 31 December, 2002: HK\$2,667,000) would be due within one year and HK\$2,444,000 (at 31 December, 2002: HK\$5,111,000) would be due after one year. The bank borrowings is denominated in Hong Kong dollars and charged at fixed interest rate. Therefore, the Group is not exposed to any exchange rate and interest rate risks.

The Group had net current assets of HK\$98,423,000 as at 31 December, 2003 (at 31 December, 2002: HK\$51,674,000). Stock turnover days increased from 36 days at 31 December, 2002 to 48 days at 31 December, 2003 due to the pile-up of inventories for subsequent shipments in January 2004. Debtors' turnover days decreased to 72 days (at 31 December, 2002: 74 days). Current ratio, being the ratio of current assets to current liabilities, was maintained at a strong level of 5.6 (at 31 December, 2002: 2.9). Shareholders' funds further increased from HK\$98,251,000 as at 31 December, 2002 to HK\$161,191,000 as at 31 December, 2003.

As at 31 December, 2003, the Group's total debt was approximately HK\$24,843,000 (at 31 December, 2002: HK\$31,939,000); whereas the Group's total assets was HK\$186,034,000 (at 31 December, 2002: HK\$130,190,000). The gearing ratio, in terms of total debt to total assets, stood at 0.13 (at 31 December, 2002: 0.25).

As at 31 December, 2003, total banking facilities amounting to HK\$40,000,000 was available (at 31 December, 2002: HK\$40,000,000), of which merely HK\$5,111,000 (at 31 December, 2002: HK\$7,778,000) was utilized in term of bank term loan. As the Group's strong liquidity and financial resources position continued to be strong, the Board considers that the Group will have sufficient financial resources to finance future investment and capital expenditure plans.

### Foreign exchange exposure, hedging and off balance sheet financial instruments

The Group's purchases of raw materials were principally made in HKD, RMB and USD and the Group's sales were made in HKD and USD.

As both HKD and RMB are pegged to the USD under the current exchange rate system in Hong Kong and the PRC, the Group is not exposed to significant foreign exchange risk in HKD, RMB and USD.

#### Acquisition and disposal

The Group did not have any material acquisition or disposal of subsidiary and associated company during the year.

#### Charges on assets

As at 31 December, 2003, the Group pledged its investments in securities amounted to approximately HK\$1,225,000 (at 31 December, 2002: HK\$1,191,000) to bank to secure banking facilities of HK\$5,111,000 (at 31 December, 2002: HK\$7,778,000).

#### Contingent liabilities

As at 31 December, 2003, the Group did not have any significant contingent liabilities.

#### USE OF THE PROCEEDS FROM THE INITIAL PUBLIC OFFERING

The net proceeds of approximately HK\$41,600,000 from the issue of Company's new shares of 55,000,000 on the Stock Exchange on 6 January, 2003 were applied as follows:–

- as to approximately HK\$17,500,000 was incurred for the purchase of production facilities, inspection equipments and expansion of sales and marketing activities in order to increase production capacity, strengthen quality checking, expand sales term and participate in trade shows;
- as to approximately HK\$22,500,000 worth of contracts were under construction in progress for additional production facilities and tooling making facilities.

The Group intends to pay the remaining proceeds in the year of 2004 to increase production capacity.

#### FINAL DIVIDEND

The Board has recommended the payment of a final dividend of HK\$0.02 per share for the year ended 31 December, 2003 (2002: Nil), payable to shareholders whose names appear on the Register of Members of the Company on Thursday, 27 May, 2004. This final dividend distribution, together with the interim dividend distribution of HK\$0.02 per share, will make a total dividend distribution of HK\$0.04 per share for the year ended 31 December, 2003. The proposed final dividend distribution, if approved, will be paid on Tuesday, 8 June, 2004.

The Register of Members of the Company will be closed from Thursday, 20 May, 2004 to Thursday, 27 May, 2004, both days inclusive. In order to qualify for the final dividend, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrars, Computershare Hong Kong Investor Services Limited, at Rooms 1901-5, 19th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:00 p.m. on Wednesday, 19 May, 2004.



## BOARD OF DIRECTORS

### Executive Directors

**Mr. Thomas Lau, Luen-hung**, aged 50, executive director and chairman of the Group. Mr. Lau holds a Bachelor's degree and a Master's degree in Business Administration. Mr. Lau joined the Group since its establishment in 1993 and is responsible for the overall strategic planning and business development of the Group. He is also the chairman and executive director of Chinese Estates Holdings Limited, The Kwong Sang Hong International Limited and Chi Cheung Investment Company Limited, all of which are listed on the Main Board of the Stock Exchange. Mr. Lau is the Managing Director of Lifestyle International Holdings Limited which holds the operation of the retailing business development of Sogo Department Store of Hong Kong and started its listing on the Main Board of the Stock Exchange on April 15, 2004. He has over 26 years of successful entrepreneurial experience in manufacturing, corporate finance, property investment and development and technology industry. Furthermore, Mr. Lau is an investor of Gemstar-TV Guide International Group Inc., a NASDAQ listed multimedia company and was its co-founder and had involved in its early years of strategic planning.

**Mr. Tsang Chiu Wai**, aged 53, executive director, president and chief executive officer of the Group. Mr. Tsang started to work in the metal working industry in Hong Kong in 1981 and joined the Group in 1993. He is responsible for the overall management and corporate strategies on production and technical know-how of the Group. Mr. Tsang graduated from the University of Hong Kong with a Bachelor of Science Degree in 1974. After completion of his Master of Business Administration Degree in the University of Windsor, Canada, in 1977, Mr. Tsang joined an international oil company in Hong Kong and gained valuable experience in corporate planning and finance. Mr. Tsang is also a member of the North American Die Casting Association.

**Mr. Kong Cheuk Luen, Trevor**, aged 48, executive director and chief operating officer of the Group. Mr. Kong invested in the Group through Winchase Limited since 1993 and became the executive director and chief operating officer of the Company in September 2002. He is responsible for the overall management of the financial and sales and marketing functions of the Group. Mr. Kong graduated from University of Saskatchewan, Canada in 1980 with a Bachelor of Commerce Degree. Before Mr. Kong became the executive director and chief operating officer of the Group, he was the General Manager of InfoChain Express division, an information technology business unit at Avery Dennison Corporation, a Fortune 500 US based company, and has over twenty years of manufacturing management experience. During his past years of experience, he had successfully deployed several key projects such as computerization of production system, certification of ISO 9001 quality system, construction of new 150,000 square feet plant facility and restructuring of a world class manufacturing team.

### Independent Non-executive Directors

**Mr. Lee Tho Siem**, aged 64, an independent non-executive director. Mr. Lee joined the Group in September 2002. He studied at University of Hangzhou between 1957 to 1961 and joined Hua Chiao Commercial Ltd. (formerly known as Hua Chiao Commercial Bank Ltd.) in September 1963 and was appointed as director and acting general manager in 2000. Mr. Lee has over 38 years of experience in the banking industry. He is currently a director of Hua Chiao Commercial Ltd. and is also a member of the Hong Kong Securities Institute.

**Mr. Wong Wing Sing**, aged 32, an independent non-executive director. Mr. Wong is a partner of Sit, Fung, Kwong & Shum, Solicitors. He joined the Group in September 2002. He has been practising law in Hong Kong since 1996 and his main areas of practice are corporate, securities and commercial law. He obtained his Bachelor of Law and Master of Law degrees from the University of Hong Kong in 1993 and 1997 respectively. He was admitted as a solicitor in Hong Kong in 1996 and a solicitor of England and Wales in 1997.

**Mr. Wang Jianguo**, aged 57, an independent non-executive director. Mr. Wang joined the Group in December 2002. He graduated from Harbin Engineering Institute and is an economist. He is currently the managing director of Shanghai Multi Luck Real Estate Development Limited and was previously the general manager of Xian Shanghai Economic Coordination Corporation and the deputy general manager of Shanghai Shenda (Group) Company. Mr. Wang has over 20 years of experience in property and corporate development and investment.

### SENIOR MANAGEMENT

**Mr. Lee Yuk Kwan**, aged 50, is the general manager of Dongguan United Metal Products Co., Ltd.. He is responsible for the overall production, materials control and operations of the factory. He joined the Group in 1993 and has over ten years senior management experience in the metal working industry. Prior to joining the Group, Mr. Lee gained extensive training and practical experience in the metal working, mechanical and structural engineering business.

**Mr. Kwok Mok Kwan**, aged 43, is the general manager of Dongguan Applied Magnesium Factory. He is responsible for the procurement of general manufacturing supplies, factory administration and the supervision of the Group's processing factory. Mr. Kwok joined the Group in 1993 and has over ten years of experience in the die-casting operations, specializing in the secondary processes, such as CNC machining, magnesium processing and surface finishing.

**Mr. Lam Pek Vu**, aged 37, is the quality manager of the Group. He is responsible for the overall quality assurance function of the Group's factories. He joined the Group in April 1998 and has over 10 years experience in quality management.

### COMPANY SECRETARY

**Ms. Cheung Mei Han** ACIS, ACS, aged 38, the company secretary of the Group and is responsible for the company secretarial affairs of the Group. Ms. Cheung joined the Group in December 2002. Ms. Cheung is an associate of both The Hong Kong Institute of Company Secretaries and The Institute of Chartered Secretaries and Administrators and has over 12 years of company secretarial and compliance experience.

# Notice of Annual General Meeting

**NOTICE IS HEREBY GIVEN** that the Annual General Meeting (the "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 Thursday, 27 May, 2004 at 11:00 a.m. for the following purposes:–

1. To receive and consider the audited consolidated financial statements together with the Reports of the Directors and the Auditors of the Company for the year ended 31 December, 2003.
2. To re-elect Directors and authorize the board of directors (the "Board") to fix the Directors' remuneration.
3. To re-appoint the Auditors and to authorize the Board to fix the Auditors' remuneration.
4. To declare final dividend for the year ended 31 December, 2003.
5. As special business, to consider and, if though fit, pass with or without amendments the following resolutions as Ordinary Resolutions:

5A. **"THAT:**

- (a) subject to paragraph (c) below, the exercise by the Directors during the Relevant Period (as defined in paragraph (d) below) of all the powers of the Company to repurchase shares of the Company on the Stock Exchange of Hong Kong Limited (the "Stock Exchange") or on any other stock exchange on which the shares of the Company may be listed and recognized by the Securities and Futures Commission and the Stock Exchange for this purpose, 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 (the "Listing Rules") be and is hereby generally and unconditionally approved;
- (b) the approval in paragraph (a) shall be in addition to any other authorizations given to the Directors and shall authorize the Directors during the Relevant Period to procure the Company to repurchase its shares at a price determined by the Directors;
- (c) the aggregate nominal amount of the shares of the Company to be repurchased pursuant to the approval in paragraph (a) above 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 of this resolution, and the said approval 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; or

- (ii) the expiration of the period within which the next annual general meeting of the Company is required by any applicable laws or the Articles of Association of the Company to be held; or
- (iii) the date upon which the authority set out in this resolution is revoked or varied by way of an ordinary resolution of the shareholders of the Company in general meeting.”

5B. **“THAT:**

- (a) subject to paragraph (c) below, the exercise by the Directors during the Relevant Period (as defined in paragraph (d) below) of all the powers of the Company to allot, issue and otherwise deal with additional ordinary shares of the Company or securities convertible into shares, or options, warrants or similar rights to subscribe for any shares and to make or grant offers, agreements, options and rights of exchange or conversion which might require the exercise of such powers, subject to and in accordance with all applicable laws, be and is hereby generally and unconditionally approved;
- (b) the approval in paragraph (a) above, shall be in addition to any other authorizations given to the Directors and shall authorize the Directors during the Relevant Period to make or grant offers, agreements, options and rights of exchange or conversation which would or might require the exercise of such powers after the end of the Relevant Period;
- (c) the aggregate nominal amount of share capital allotted, issued or otherwise dealt with or agreed conditionally or unconditionally to be allotted, issued or otherwise dealt with (whether pursuant to an option or otherwise) by the Directors pursuant to the approval granted in paragraph (a) above, otherwise than pursuant to (i) a Rights Issue (as defined in paragraph (d) below), or (ii) the exercise of any options granted under the share option scheme or similar arrangement for the time being adopted or to be adopted for the grant or issue to officers and/or employees of the Company and/or its subsidiaries, of options to subscribe for, or rights to acquire shares of the Company approved by the Stock Exchange, 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, or (iv) the exercise of rights of subscription or conversion under the terms of any warrants issued by the Company or any securities which are convertible into shares of the Company, shall not exceed 20 per cent of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing of 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 5A(d) of this Notice; and

“Rights Issue” means the allotment, issue or grant of shares or other securities open for a period fixed by the Directors to holders of the shares or any class of shares thereof on the register of members on a fixed record date in proportion to their then holdings of such shares or class thereof (subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of any relevant jurisdiction, or the requirements of any recognized regulatory body or any stock exchange in, any territory applicable to the Company).”

5C. **“THAT:**

conditional upon the passing of Resolutions Nos. 5A and 5B, the aggregate nominal amount of the share capital of the Company which shall have been repurchased by the Company under the authority granted to the Directors as mentioned in Resolution No. 5A above (up to a maximum of 10 per cent of the aggregate nominal amount of the share capital of the Company as stated in Resolution No. 5A above) shall be added to the aggregate nominal amount of the share capital that may be allotted, issued or otherwise dealt with, or agreed conditionally and unconditionally to be allotted, issued or otherwise dealt with by the Directors pursuant to Resolution No. 5B above.”

6. To consider and, if thought fit, pass with or without amendments, the following resolution as a Special Resolution:

**“THAT** the Articles of Association of the Company be amended in the following manner:

(a) Article 2

- (i) by adding the definition of “associate” immediately after the definition of “these Articles” as follows:

“associates” shall have the meaning ascribed to such term in the Companies Ordinance and the Listing Rules;

- (ii) by deleting the words “section 2 of the Securities and Futures (Clearing Houses) Ordinance of Hong Kong” in the definition of “recognized clearing house” and replacing them with by the words “Part 1 of Schedule 1 of the Securities and Futures Ordinance and any amendments thereto or re-enactments thereof for the time being in force and includes every other law incorporated therewith or substituted therefor.”

- (iii) by deleting the definition of “subsidiary and holding company” in its entirety and replacing by “shall have the meanings ascribed to such terms in the Companies Ordinance and the Listing Rules.”

(b) Article 76

by adding “or unless a poll is required under the Listing Rules as amended from time to time” after “a poll is duly demanded.”

(c) Article 85(c)

by adding the following paragraph under the heading of “Restriction to voting”.

“That, where any shareholder is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.”

(d) Article 103(c)

by deleting in its entirety and replacing by the following:

“A director shall not vote (nor be counted in the quorum) on any resolution of the Board approving any contract or arrangement or any other proposal in which he or any of his associates is materially interested but this prohibition shall not apply to any of the following matters, namely:

- (i) the giving of any security or indemnity either:
  - (aa) to the director or his associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries; or
  - (bb) to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the director or his associate(s) has himself/themselves assumed responsibility in whole or in part and whether alone or jointly under a guarantee or indemnity or by the giving of securities;
- (ii) any proposal concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase where the director or his associate(s) is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (iii) any proposal concerning any other company in which the director or his associate(s) is/are interested only, whether directly or indirectly, as an officer or executive or shareholder or in which the director or his associate(s) is/are beneficially interested in shares of that company, provided that the director and any of his associates are not in aggregate beneficially interested in 5 per cent or more of the issued shares of any class of such company (or of any third company through which his interest or that of his associate(s) is derived) or of the voting rights;

- (iv) any proposal or arrangement concerning the benefit of employees of the Company or its subsidiaries including:
    - (aa) the adoption, modification or operation of any employees' share scheme or any share incentive or share option scheme under which the director or his associate(s) may benefit; or
    - (bb) the adoption, modification or operation of pension fund or retirement, death or disability benefits scheme which relates both to directors, his associate(s) and employees of the Company or any of its subsidiaries and does not provide in respect of any director, or his associate(s), as such any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and
  - (v) any contract or arrangement in which the director or his associate(s) is/are interested in the same manner as other holders of shares of debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company."
- (e) Article 103(f)
- by deleting in its entirety.
- (f) Article 116
- by deleting in its entirety and replacing by the following:

"No person other than a Director retiring at the meeting shall, unless recommended by the Board, be eligible for election as Director at any general meeting unless a notice signed by a member of the Company (not being the person to be proposed) duly qualified to attend and vote at the meeting for which such notice is given the person to be proposed of his intention to propose such person for election and also a notice signed by of his willingness to be elected shall be lodged at the head office or at the registered office, provided that the minimum length of period, during which such notice(s) are given, shall be at least 7 days and that the period for lodgment of such notice(s) shall commence no earlier than the day after the dispatch of the notice of the general meeting appointed for such election and end no later than 7 days prior to the date of such meeting."

## (g) Article 119

by deleting in its entirety and replacing by the following:

“The Board may meet together for the dispatch of business, adjourn and otherwise regulate its meetings and proceedings as it thinks fit in any part of the world and may determine the quorum necessary for the transaction of business. Unless otherwise determined two Directors shall be a quorum. For the purposes of this Article an alternate Director shall be counted in a quorum in place of the Director who appointed him and an alternate Director who is an alternate for more than one Director shall for quorum purposes be counted separately in respect of himself (if he is a Director) and in respect of each Director for whom he is an alternate (but nothing in this provision shall be construed as authorizing a meeting to be constituted when only one person is physically present). A meeting of the Board or any committee of the Board may be held by means of a telephone or tele-conferencing, or any other electronic means provided that all participants are thereby able to communicate each other simultaneously and instantaneously and participation in a meeting pursuant to this provision shall constitute presence in person at such meeting.”

## (h) Article 120

by deleting “or telegram” and replacing by adding “telegram or other electronic means” after “telex”.

## (i) Article 129

by adding “by facsimile or other electronic means” after “Directors”.

## (j) Article 163(a)

by deleting in its entirety and replacing by the following:

“Any notice or document (including a share certificate) may be served by the Company or by the Board on any member either personally or by sending it through the post in a prepaid letter addressed to such member at his registered address as appearing in the register or, in the case of notice by advertisement published in the newspapers or by sending it using electronic means, including but not limited to electronic mail or by making it available for the examination by the member using electronic means, including the posting of such notice or document on websites or web pages provided that if any such notice or document is to be sent or made available to any member by using electronic means, the Company and the Board must first have received from the relevant member a written confirmation that the member wants to receive or to have made available to him such notice or document using the electronic means that the Company and the Board have suggested. In the case of joint holders of the share, all notices shall be given to that holder for the time being one of the joint holders whose name stands first in the register and notice so given shall be sufficient notice to all the joint holders.”



# Notice of Annual General Meeting

(k) Article 165(d)

by deleting in its entirety and replacing by the following:

“Any notice or document sent or made available by using electronic means to members who have in writing confirmed their agreement to receive such notice or document through such means shall be deemed to have been served on such members when the notice or document has been sent or made available to them in accordance with the arrangement specified in their written confirmation to the Company. A certificate in writing signed by the Secretary or other person appointed by the Board that the notice or document has been sent or made available in accordance with such arrangement shall be conclusive evidence thereof.”

7. To transact any other business.

By Order of the Board

**Thomas Lau, Luen-hung**

Chairman

Hong Kong, 8 April, 2004

Notes:

1. Any Shareholder entitled to attend and vote at the Meeting is entitled to appoint one or more separate proxies (who must be an individual or individuals) to attend and vote instead of him. A proxy need not be a Shareholder of the Company. If more than one proxy is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy so appointed.
2. The register of members of the Company will be closed from Thursday, 20 May, 2004 to Thursday 27 May, 2004, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to qualify for the final dividend which is going to be approved at the Meeting, attending and voting at the Meeting, all properly completed and signed transfer forms accompanied with the relevant share certificates must be lodged with the Company's Hong Kong branch share registrars, Computershare Hong Kong Investor Services Limited, at Rooms 1901-5, 19th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:00 p.m. on Wednesday, 19 May, 2004.
3. 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.
4. With respect to the resolution set out in paragraph 5A 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.
5. With respect to the resolutions set out in paragraphs 5B and 5C 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 Listing Rules of the Stock Exchange.
6. With respect to the resolution set out in paragraph 6, approval is being sought from Shareholders for a general mandate to the Directors to amend the Articles of Association of the Company to comply with the Listing Rules of the Stock Exchange.
7. An explanatory statement containing the information with respect to the resolutions set out in paragraphs 5A to 5C of the notice of the Meeting will be sent to the Shareholders together with the 2003 Annual Report.

The directors present their annual report and the audited financial statements for the year ended 31 December, 2003.

## **PRINCIPAL ACTIVITIES**

The Company acts as an investment holding company. The principal activities of the Company's subsidiaries are set out in note 12 to the financial statements.

## **RESULTS AND APPROPRIATION**

The results of the Group and appropriation of the Company for the year ended 31 December, 2003 are set out in the consolidated income statement on page 31 of the annual report.

An interim dividend of HK\$0.02 per share, amounting to HK\$4,400,000, was paid to the shareholders during the year. The directors now recommend the payment of a final dividend of HK\$0.02 per share to the shareholders on the register of members on 8 June, 2004, amounting to HK\$4,400,000, and the retention of the remaining profit for the year.

## **PROPERTY, PLANT AND EQUIPMENT**

During the year, the Group spent approximately HK\$18.1 million on plant and machinery to expand and upgrade its manufacturing facilities.

Details of this and other movements in the property, plant and equipment of the Group during the year are set out in note 11 to the financial statements.

## **SHARE CAPITAL**

Details of movements in the share capital of the Company during the year are set out in note 21 to the financial statements.

## DIRECTORS

The directors of the Company during the year and up to the date of this report were:

*Executive directors:*

Thomas Lau, Luen-hung

Tsang Chiu Wai

Kong Cheuk Luen, Trevor

*Independent non-executive directors:*

Lee Tho Siem

Wong Wing Sing

Wang Jianguo

In accordance with Article 95 of the Company's Articles of Association, Mr. Tsang Chiu Wai and Mr. Wong Wing Sing retire by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

Each of the executive directors has entered into a service contract with the Company for an initial term of three years commencing 1 December, 2002 which shall continue thereafter until terminated by either party giving to the other party not less than six months prior written notice, such notice not to be given earlier than 1 December, 2003.

Save as disclosed above, none of the directors being proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

The term of office of each independent non-executive director is the period from his appointment to the time of retirement by rotation in accordance with the Company's Articles of Association.

## DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES AND UNDERLYING SHARES

At 31 December, 2003, the interests of the directors and the chief executives and their associates in the shares and underlying shares of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance (the "SFO"), or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

### Long positions

#### Ordinary shares of HK\$0.01 each of the Company

Name of director	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Thomas Lau, Luen-hung	Held by controlled corporation (Note i)	56,958,000	25.89%
Tsang Chiu Wai	Held by controlled corporation (Note ii)	56,232,000	25.56%
Kong Cheuk Luen, Trevor	Held by controlled corporation (Note iii)	28,006,000	12.73%
		141,196,000	64.18%

Notes:

- (i) These securities are registered in the name of and beneficially owned by Shine Top Limited, a company incorporated in the British Virgin Islands. The entire issued share capital of Shine Top Limited is beneficially owned by Mr. Thomas Lau, Luen-hung. Accordingly, Mr. Thomas Lau, Luen-hung is deemed to be interested in 56,958,000 shares held by Shine Top Limited under the SFO.
- (ii) These securities are registered in the name of and beneficially owned by Standard Beyond Limited, a company incorporated in the British Virgin Islands. The entire issued share capital of Standard Beyond Limited is beneficially owned by Mr. Tsang Chiu Wai. Accordingly, Mr. Tsang Chiu Wai is deemed to be interested in 56,232,000 shares held by Standard Beyond Limited under the SFO.
- (iii) These securities are registered in the name of and beneficially owned by Absolute Above Limited, a company incorporated in the British Virgin Islands. The entire issued share capital of Absolute Above Limited is beneficially owned by Mr. Kong Cheuk Luen, Trevor. Accordingly, Mr. Kong Cheuk Luen, Trevor is deemed to be interested in 28,006,000 shares held by Absolute Above Limited under the SFO.

Other than as disclosed above, none of the directors, chief executives, nor their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as at 31 December, 2003.

## SHARE OPTIONS

Particulars of the Company's share option scheme (the "Scheme") are set out in note 22 to the financial statements. No option was granted under the Scheme since its adoption.

## ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

## SUBSTANTIAL SHAREHOLDERS

Other than as disclosed under the section headed "DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES AND UNDERLYING SHARES", the register of substantial shareholders maintained by the Company pursuant to section 336 of the SFO discloses no person as having a notifiable interest or short position in the issued share capital of the Company as at 31 December, 2003.

## DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contracts of significance to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

## MAJOR CUSTOMERS AND SUPPLIERS

During the year, the five largest customers in aggregate accounted for approximately 55.8% of the total turnover of the Group and the largest customer accounted for approximately 14.4% of the total turnover of the Group.

The aggregate purchases attributable to the Group's five largest suppliers during the year accounted for approximately 77.8% of the total purchases of the Group and the largest supplier accounted for approximately 27.7% of the total purchases of the Group.

Save as disclosed above, at no time during the year did a director, an associate of a director or a shareholder of the Company, which to the knowledge of the directors owns more than 5% of the Company's issued share capital, have an interest in any of the five largest customers and suppliers of the Group.

### PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles of Association, or the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

### CORPORATE GOVERNANCE

The Company has complied throughout the year ended 31 December, 2003, with the Code of Best Practice set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange.

### POST BALANCE SHEET EVENTS

Details of significant post balance sheet events are set out in note 30 to the financial statements.

### AUDITORS

A resolution will be submitted to the annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors of the Company.

On behalf of the Board

**Thomas Lau, Luen-hung**

Chairman

Hong Kong, 8 April, 2004

## 德勤·關黃陳方會計師行

Certified Public Accountants  
26/F, Wing On Centre  
111 Connaught Road Central  
Hong Kong

執業會計師  
香港中環干諾道中111號  
永安中心26樓

**Deloitte  
Touche  
Tohmatsu**

TO THE MEMBERS OF UNITED METALS HOLDINGS LIMITED  
(incorporated in the Cayman Islands with limited liability)

We have audited the financial statements on pages 31 to 63 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

### RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Company's directors are responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion solely to you, as a body and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

### BASIS OF OPINION

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the Company and the Group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

### OPINION

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31 December, 2003 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

**Deloitte Touche Tohmatsu**

*Certified Public Accountants*

Hong Kong, 8 April, 2004

# Consolidated Income Statement

For the year ended 31 December, 2003

	Notes	2003 HK\$'000	2002 HK\$'000
<b>Turnover</b>	4	<b>150,545</b>	134,163
<b>Cost of sales</b>		<b>(103,798)</b>	(90,218)
<b>Gross profit</b>		<b>46,747</b>	43,945
<b>Other operating income</b>	5	<b>2,191</b>	872
<b>Selling and distribution expenses</b>		<b>(3,288)</b>	(2,658)
<b>Administrative expenses</b>		<b>(17,005)</b>	(10,889)
<b>Other operating expenses</b>		<b>(667)</b>	(879)
<b>Profit from operations</b>	6	<b>27,978</b>	30,391
<b>Interest on bank loan repayable within five years</b>		<b>(265)</b>	(24)
<b>Profit before taxation</b>		<b>27,713</b>	30,367
<b>Taxation</b>	8	<b>(1,959)</b>	(1,828)
<b>Profit for the year</b>		<b>25,754</b>	28,539
<b>Dividends</b>	9	<b>8,800</b>	14,979
<b>Earnings per share – basic</b>	10	<b>11.7 cents</b>	17.3 cents



# Consolidated Balance Sheet

At 31 December, 2003

	Notes	2003 HK\$'000	2002 HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment	11	63,853	49,632
Goodwill	13	968	865
Investments in securities	14	1,225	1,191
		<b>66,046</b>	51,688
<b>Current assets</b>			
Inventories	15	19,707	13,374
Trade and other receivables	16	36,632	40,613
Bills receivable		–	1,539
Investments in securities	14	1,499	1,177
Taxation recoverable		26	65
Bank balances and cash		62,124	21,734
		<b>119,988</b>	78,502
<b>Current liabilities</b>			
Trade and other payables	18	16,627	21,660
Taxation payable		2,271	2,501
Secured bank loan – due within one year	19	2,667	2,667
		<b>21,565</b>	26,828
<b>Net current assets</b>		<b>98,423</b>	51,674
<b>Total assets less current liabilities</b>		<b>164,469</b>	103,362
<b>Non-current liabilities</b>			
Secured bank loan – due after one year	19	2,444	5,111
Deferred tax liabilities	20	834	–
		<b>3,278</b>	5,111
		<b>161,191</b>	98,251
<b>Capital and reserves</b>			
Share capital	21	2,200	–
Reserves		158,991	98,251
		<b>161,191</b>	98,251

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The financial statements on pages 31 to 63 were approved and authorised for issue by the Board of Directors on 8 April, 2004 and are signed on its behalf by:

**TSANG CHIU WAI**  
DIRECTOR

**KONG CHEUK LUEN, TREVOR**  
DIRECTOR

# Balance Sheet

At 31 December, 2003

	Notes	2003 HK\$'000	2002 HK\$'000
<b>Non-current asset</b>			
Investment in a subsidiary	12	98,291	98,291
<b>Current assets</b>			
Prepayments		145	9,611
Amount due from a subsidiary	17	41,199	–
		<b>41,344</b>	9,611
<b>Current liabilities</b>			
Accruals		453	46
Amounts due to subsidiaries		5,059	9,605
		<b>5,512</b>	9,651
<b>Net current assets (liabilities)</b>		<b>35,832</b>	(40)
		<b>134,123</b>	98,251
<b>Capital and reserves</b>			
Share capital	21	2,200	–
Reserves		131,923	98,251
		<b>134,123</b>	98,251

**TSANG CHIU WAI**  
DIRECTOR

**KONG CHEUK LUEN, TREVOR**  
DIRECTOR

# Consolidated Statement of Changes in Equity

For the year ended 31 December, 2003

	Share capital HK\$'000 (Note 21)	Share premium HK\$'000	Investments revaluation reserve HK\$'000	Non- distributable reserve HK\$'000 (Note 23)	Merger reserve HK\$'000 (Note 23)	General reserve fund HK\$'000 (Note 23)	Accumulated profits HK\$'000	Total HK\$'000
<b>THE GROUP</b>								
At 1 January, 2002	–	–	(41)	31,563	127	3,970	48,999	84,618
Surplus on revaluation and net gain not recognised in the income statement	–	–	73	–	–	–	–	73
Special dividend paid	–	–	–	(14,979)	–	–	–	(14,979)
Transfer	–	–	–	–	–	862	(862)	–
Profit for the year	–	–	–	–	–	–	28,539	28,539
At 31 December, 2002	–	–	32	16,584	127	4,832	76,676	98,251
Issue of shares on placing and public offer	550	50,600	–	–	–	–	–	51,150
Capitalisation of share premium	1,650	(1,650)	–	–	–	–	–	–
Expenses incurred in connection with issue of shares	–	(9,598)	–	–	–	–	–	(9,598)
Surplus on revaluation and net gain not recognised in the income statement	–	–	34	–	–	–	–	34
Interim dividend paid	–	–	–	–	–	–	(4,400)	(4,400)
Transfer	–	–	–	–	–	805	(805)	–
Profit for the year	–	–	–	–	–	–	25,754	25,754
At 31 December, 2003	2,200	39,352	66	16,584	127	5,637	97,225	161,191

# Consolidated Cash Flow Statement

For the year ended 31 December, 2003

	Note	2003 HK\$'000	2002 HK\$'000
<b>OPERATING ACTIVITIES</b>			
Profit from operations		27,978	30,391
Adjustments for:			
Dividend income		(37)	(32)
Interest income		(416)	(127)
Amortisation of goodwill		335	114
Depreciation		8,306	5,420
Unrealised holding (gains) losses on listed trading securities		(322)	765
Operating cash flows before movements in working capital		35,844	36,531
Increase in inventories		(6,333)	(1,050)
Decrease (increase) in trade and other receivables		3,981	(10,063)
Decrease (increase) in bills receivable		1,539	(717)
Increase in amounts due from related parties		–	(186)
(Decrease) increase in trade and other payables		(5,033)	2,831
Decrease in amounts due to related parties		–	(1,859)
Cash generated from operations		29,998	25,487
Hong Kong Profits Tax paid		(519)	(945)
Taxation in other jurisdictions paid		(1,235)	–
<b>NET CASH FROM OPERATING ACTIVITIES</b>		<b>28,244</b>	<b>24,542</b>
<b>INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment		(22,527)	(19,153)
Repayments from related parties		–	6,823
Proceeds from disposal of investment property		–	2,210
Acquisition of a subsidiary	24	–	1,823
Interest received		416	127
Dividends received		37	32
<b>NET CASH USED IN INVESTING ACTIVITIES</b>		<b>(22,074)</b>	<b>(8,138)</b>
<b>FINANCING ACTIVITIES</b>			
Dividend paid		(4,400)	(14,979)
Repayment of bank loan		(2,667)	(222)
Interest paid		(265)	(24)
New bank loan raised		–	8,000
Net proceeds from issue of shares on placing and public offer		41,552	–
<b>NET CASH FROM (USED IN) FINANCING ACTIVITIES</b>		<b>34,220</b>	<b>(7,225)</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>40,390</b>	<b>9,179</b>
<b>CASH AND CASH EQUIVALENTS BROUGHT FORWARD</b>		<b>21,734</b>	<b>12,555</b>
<b>CASH AND CASH EQUIVALENTS CARRIED FORWARD,</b> represented by bank balances and cash		<b>62,124</b>	<b>21,734</b>

## 1. 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 and its shares have been listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 6 January, 2003.

The Company acts as an investment holding company. The principal activities of the Company's subsidiaries are set out in note 12 to the financial statements.

## 2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted, for the first time, the following Hong Kong Financial Reporting Standards ("HKFRS(s)") issued by the Hong Kong Society of Accountants ("HKSA"), the term of HKFRS is inclusive of Statements of Standard Accounting Practice ("SSAP(s)") and Interpretations approved by the HKSA.

SSAP 12 (Revised)	Income Taxes
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The adoption of this SSAP has had no material effect on the results for the current or prior accounting periods. Accordingly, no prior period adjustment has been required.

## 3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention, as modified for the revaluation of investments in securities, and in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are set out below:

### **Basis of consolidation**

The consolidated financial statements incorporated the financial statements of the Company and its subsidiaries made up to 31 December each year.

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

All significant inter-company transactions and balances within the Group are eliminated on consolidation.

### **Goodwill**

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition. Goodwill arising on acquisition is capitalised and amortised on a straight-line basis over its useful economic life. Goodwill arising on the acquisition of subsidiaries is presented separately in the balance sheet as a separate intangible asset.

### 3. SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

#### **Investments in subsidiaries**

Investments in subsidiaries are included in the Company's balance sheet at cost less any identified impairment loss.

#### **Property, plant and equipment**

Property, plant and equipment are stated at cost less depreciation and accumulated impairment losses.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the income statement.

Depreciation is provided to write off the cost of items of property, plant and equipment over their estimated useful lives and after taking into account their estimated residual value, using the straight-line method, at the following rates per annum:

Buildings	Over the term of the lease, or 20 years, whichever is the shorter
Leasehold improvements	Over the term of the lease, or 20 years, whichever is the shorter
Plant and machinery	9%
Furniture, fixtures and equipment	18% – 25%
Motor vehicles	18% – 25%

#### **Investments in securities**

Investments in securities are recognised on a trade-date basis and are initially measured at cost.

At subsequent reporting dates, debt securities that the Group has the expressed intention and ability to hold to maturity (held-to-maturity debt securities) are measured at amortised cost, less any impairment loss recognised to reflect irrecoverable amounts. The annual amortisation of any discount or premium on the acquisition of a held-to-maturity security is aggregated with other investment income receivable over the term of the instrument so that the revenue recognised in each year represents a constant yield on the investment.

All securities other than held-to-maturity debt securities are measured at subsequent reporting dates at fair value.

Where securities are held for trading purposes, unrealised gains and losses are included in net profit or loss for the year. For other securities, unrealised gains and losses are dealt with in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in net profit or loss for the year.

### 3. SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

#### **Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method.

#### **Impairment**

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

#### **Revenue recognition**

Sales of goods are recognised when goods are delivered and title has passed.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the interest rate applicable.

Management fee income is recognised when management services are rendered.

#### **Taxation**

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years, and it further excludes income statement items that are never taxable or deductible.

### 3. SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

#### **Taxation** *(cont'd)*

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

#### **Foreign currencies**

Transactions in currencies other than Hong Kong dollars are initially recorded at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities denominated in currencies other than Hong Kong dollars are re-translated at the rates prevailing on the balance sheet date. Profits and losses arising on exchange are dealt with in the net profit or loss for the period.

On consolidation, the assets and liabilities of the Group's operations outside Hong Kong are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised as income or as expenses in the period in which the operation is disposed of.

#### **Operating leases**

Rental payables on properties under operating leases are charged to the income statement on a straight-line basis over the term of the relevant leases.

#### **Retirement benefits costs**

Payments to retirement benefit schemes are charged as an expense as they fall due.



#### 4. **TURNOVER AND SEGMENTAL INFORMATION**

Turnover represents the gross amount received and receivable for goods sold, net of returns, to outsiders during the year.

##### **Business segments**

For management purposes, the Group's business is currently organised into four operating divisions 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. |

**4. TURNOVER AND SEGMENTAL INFORMATION** (cont'd)**For the year ended 31 December, 2003**

	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>	129,393	16,293	–	1,616	3,243	150,545
<b>RESULTS</b>						
Segment results	23,444	3,154	–	216	564	27,378
Income from investments in securities						322
Interest income						416
Unallocated corporate expenses						(138)
Profit from operations						27,978
Interest on bank loan repayable within five years						(265)
Profit before taxation						27,713
Taxation						(1,959)
Profit for the year						25,754
<b>BALANCE SHEET</b>						
<b>ASSETS</b>						
Segment assets	97,030	16,956	–	73	3,281	117,340
Investments in securities						2,724
Unallocated corporate assets						65,970
Consolidated total assets						186,034
<b>LIABILITIES</b>						
Segment liabilities	11,133	4,319	–	–	–	15,452
Secured bank loan						5,111
Unallocated corporate liabilities						4,280
Consolidated total liabilities						24,843
<b>OTHER INFORMATION</b>						
Capital additions	18,133	4,394	–	–	–	22,527
Depreciation	6,946	1,083	–	–	277	8,306

# Notes to the Financial Statements

For the year ended 31 December, 2003

## 4. TURNOVER AND SEGMENTAL INFORMATION (cont'd)

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
Interest on bank loan repayable within five years						(24)
Profit before taxation						30,367
Taxation						(1,828)
Profit for the year						28,539
<b>BALANCE SHEET</b>						
<b>ASSETS</b>						
Segment assets	78,689	8,487	–	95	2,917	90,188
Investments in securities						2,368
Unallocated corporate assets						37,634
Consolidated total assets						130,190
<b>LIABILITIES</b>						
Segment liabilities	11,817	1,415	–	–	–	13,232
Secured bank loan						7,778
Unallocated corporate liabilities						10,929
Consolidated total liabilities						31,939
<b>OTHER INFORMATION</b>						
Capital additions	18,566	10,156	–	–	–	28,722
Depreciation	4,987	271	–	–	162	5,420

**4. TURNOVER AND SEGMENTAL INFORMATION** (cont'd)**Geographical segments**

The following tables provide an analysis of the Group's sales by geographical market, irrespective of the origin of the goods:

	Sales revenue by geographical market		Contribution to profit from operations	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
The PRC, including Hong Kong	<b>78,097</b>	68,051	<b>14,284</b>	15,544
North America	<b>38,924</b>	34,595	<b>7,014</b>	7,819
Europe	<b>27,528</b>	27,156	<b>5,007</b>	6,718
Others	<b>5,996</b>	4,361	<b>1,073</b>	1,085
	<b>150,545</b>	134,163	<b>27,378</b>	31,166
Income (expenses) from investments in securities			<b>322</b>	(765)
Interest income			<b>416</b>	127
Unallocated corporate expenses			<b>(138)</b>	(137)
			<b>27,978</b>	30,391

The following is an analysis of the carrying amount of segment assets, and additions to property, plant and equipment, analysed by the geographical area in which the assets are located:

Geographical region	Carrying amount of segment assets		Additions to property, plant and equipment	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
The PRC	<b>101,783</b>	73,704	<b>22,336</b>	28,154
Hong Kong	<b>84,225</b>	56,421	<b>191</b>	568
	<b>186,008</b>	130,125	<b>22,527</b>	28,722

# Notes to the Financial Statements

For the year ended 31 December, 2003

## 5. OTHER OPERATING INCOME

	2003 HK\$'000	2002 HK\$'000
Included in other operating income are the following:		
Dividend income from listed trading securities	37	32
Exchange gain	299	47
Interest income	416	127
Unrealised holding gains on listed trading securities	322	–
Rental income from investment property under an operating lease, net of negligible outgoings	–	60

## 6. PROFIT FROM OPERATIONS

	2003 HK\$'000	2002 HK\$'000
Profit from operations has been arrived at after charging:		
Directors' remuneration (note 7)	5,744	2,297
Other staff costs	30,316	21,024
Total staff costs	36,060	23,321
Amortisation of goodwill (included in other operating expenses)	335	114
Auditors' remuneration		
Current year	396	380
Underprovision in previous years	100	–
	496	380
Cost of inventories recognised as expense	43,298	46,864
Depreciation	8,306	5,420
Unrealised holding losses on listed trading securities	–	765
Operating lease charges on land and buildings	2,718	2,210
Retirement benefit schemes contributions (note 28)	408	400

**7. DIRECTORS' AND EMPLOYEES' EMOLUMENTS**

	<b>2003</b>	2002
	<b>HK\$'000</b>	HK\$'000
Directors' fees		
Executive directors	<b>200</b>	–
Independent non-executive directors	<b>150</b>	–
Other emoluments		
Executive directors		
Salaries and other benefits	<b>5,370</b>	2,280
Retirement benefit schemes contributions	<b>24</b>	17
<b>Total emoluments</b>	<b>5,744</b>	2,297

	<b>2003</b>	2002
	<b>No. of</b>	No. of
	<b>directors</b>	directors

Emoluments of the directors were within the following bands:

Nil to HK\$1,000,000	<b>4</b>	5
HK\$1,000,001 to HK\$1,500,000	–	1
HK\$2,000,001 to HK\$2,500,000	<b>2</b>	–

Of the five individuals with the highest emoluments in the Group, two individuals (2002: two individuals) were directors of the Company whose emoluments are included in the disclosure set out above. The emoluments of the remaining three individuals (2002: three individuals) were as follows:

	<b>2003</b>	2002
	<b>HK\$'000</b>	HK\$'000
Salaries and other benefits	<b>1,885</b>	1,885
Retirement benefit schemes contributions	<b>18</b>	36
	<b>1,903</b>	1,921

# Notes to the Financial Statements

For the year ended 31 December, 2003

## 7. DIRECTORS' AND EMPLOYEES' EMOLUMENTS *(cont'd)*

	<b>2003</b>	2002
	<b>No. of</b>	No. of
	<b>individuals</b>	individuals
Emoluments of the employees were within the following band:		
Nil to HK\$1,000,000	<b>3</b>	3

During the year, no emoluments were paid by the Group to any of the directors or the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors has waived any emoluments during the year.

## 8. TAXATION

	<b>2003</b>	2002
	<b>HK\$'000</b>	HK\$'000
Current tax		
Hong Kong Profits Tax		
Current year	<b>593</b>	694
Overprovision in previous years	<b>(128)</b>	(43)
	<b>465</b>	651
Taxation in other jurisdictions	<b>1,098</b>	1,177
	<b>1,563</b>	1,828
Deferred tax (note 20)		
Current year	<b>396</b>	–
Taxation attributable to the Company and its subsidiaries	<b>1,959</b>	1,828

Hong Kong Profits Tax is calculated at 17.5% (2002: 16%) of the estimated assessable profit for the year. The Profits Tax rate has been increased with effect from the 2003/04 year of assessment. The effect of this increase has been reflected in the calculation of current and deferred tax balances at 31 December, 2003.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

**8. TAXATION** (cont'd)

Pursuant to the relevant laws and regulations in 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.

The tax charge for the year can be reconciled to the profit per the income statement as follows:

	2003		2002	
	HK\$'000	%	HK\$'000	%
Profit before taxation	<b>27,713</b>		30,367	
Tax at the PRC income tax rate of 24% (2002: 24%)	<b>6,651</b>	<b>24.0</b>	7,288	24.0
Tax effect of income not taxable for tax purpose	<b>(3,624)</b>	<b>(13.1)</b>	(3,731)	(12.3)
Tax effect of expenses not deductible for tax purpose	<b>58</b>	<b>0.2</b>	72	0.2
Effect of tax exemptions granted to the Company's subsidiaries	<b>(1,259)</b>	<b>(4.5)</b>	(1,344)	(4.4)
Tax effect of tax losses not recognised	<b>262</b>	<b>1.0</b>	45	0.1
Effect of different tax rates of subsidiaries operating in other jurisdictions	<b>(255)</b>	<b>(0.9)</b>	(429)	(1.4)
Others	<b>126</b>	<b>0.4</b>	(73)	(0.2)
Tax effect and effective tax rate for the year	<b>1,959</b>	<b>7.1</b>	1,828	6.0



# Notes to the Financial Statements

For the year ended 31 December, 2003

## 9. DIVIDENDS

	<b>2003</b>	2002
	<b>HK\$'000</b>	HK\$'000
Interim paid – HK\$0.02 (2002: Nil) per ordinary share	<b>4,400</b>	–
Final, proposed – HK\$0.02 (2002: Nil) per ordinary share	<b>4,400</b>	–
Special, paid – Nil (2002: HK\$850 per ordinary share) (note)	–	14,979
	<b>8,800</b>	14,979

The final dividend HK\$0.02 (2002: Nil) per ordinary share has been proposed by the directors and is subject to approval by the shareholders in general meeting.

Note:

For the year ended 31 December, 2002, the special dividend amounted to HK\$14,979,000 were declared and paid by the Company's wholly-owned subsidiary, United Non-Ferrous (Overseas) Limited ("United Overseas"), to its then shareholders prior to a group reorganisation on 13 December, 2002 (the "Group Reorganisation").

## 10. EARNINGS PER SHARE

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

	<b>2003</b>	2002
	<b>HK\$'000</b>	HK\$'000
Earnings for the purpose of basic earnings per share	<b>25,754</b>	28,539
Weighted average number of shares for the purpose of basic earnings per share (note)	<b>219,246,575</b>	165,000,000

Note:

The weighted average number of shares for the purpose of basic earnings per share for the year ended 31 December, 2002 was calculated as if the Group Reorganisation and the capitalisation issue as set out in Appendix V to the prospectus dated 19 December, 2002 and in note 21(v) had been effective at the beginning of year.

No diluted earnings per share has been presented as there were no potential ordinary shares outstanding during the year.

**11. PROPERTY, PLANT AND EQUIPMENT**

	Buildings	Leasehold improvements	Plant and machinery	Furniture, fixtures and equipment	Motor vehicles	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>THE GROUP</b>						
<b>COST</b>						
At 1 January, 2003	1,991	5,710	63,829	4,640	1,139	77,309
Additions	–	2,763	18,140	1,331	293	22,527
At 31 December, 2003	1,991	8,473	81,969	5,971	1,432	99,836
<b>DEPRECIATION</b>						
At 1 January, 2003	849	1,407	22,788	1,908	725	27,677
Provided for the year	186	1,034	5,966	909	211	8,306
At 31 December, 2003	1,035	2,441	28,754	2,817	936	35,983
<b>NET BOOK VALUE</b>						
At 31 December, 2003	956	6,032	53,215	3,154	496	63,853
At 31 December, 2002	1,142	4,303	41,041	2,732	414	49,632

# Notes to the Financial Statements

For the year ended 31 December, 2003

## 12. INVESTMENT IN A SUBSIDIARY

2003 & 2002  
HK\$'000

Unlisted shares, at cost	98,291
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The cost of the unlisted shares is based on the book value of the underlying net assets of the subsidiaries attributable to the Group on the date of the Group Reorganisation.

Particulars of the Company's subsidiaries as at 31 December, 2003 are as follows:

Name of subsidiary	Place of incorporation/ establishment and operations	Issued and fully paid share/ registered capital	Proportion of nominal value of issued/registered capital held by the Company (note i)	Principal activity
Dongguan United	PRC	Registered capital HK\$15,000,000	100%	Die casting and trading of metal products
Everhope Industrial Limited ("Everhope")	Hong Kong	Ordinary HK\$2	100%	Die casting and trading of metal products
United Metals Company Limited ("UMCL")	Hong Kong	Ordinary HK\$1,602	100%	Trading of metal products
United Metals Asset Management Co., Ltd. ("UMAM")	British Virgin Islands	Ordinary US\$1	100%	Inactive
United Non-Ferrous (H.K.) Limited	Hong Kong	Ordinary HK\$1,602	100%	Provision of administrative services
United Overseas	British Virgin Islands	Ordinary US\$17,622	100%	Investment holding
United Non-Ferrous Sdn. Bhd. ("United Malaysia")	Malaysia	Ordinary RM2	100%	Investment holding and trading of metal products

**12. INVESTMENT IN A SUBSIDIARY (cont'd)**

Notes:

- (i) Other than United Overseas which is held directly by the Company, all subsidiaries shown above are held indirectly by the Company.
- (ii) None of the subsidiaries had any debt securities outstanding at the end of the year or any time during the year.
- (iii) Dongguan United is established in the PRC as a wholly foreign owned enterprise.

**13. GOODWILL**

	<b>HK\$'000</b>
<hr/>	
<b>COST</b>	
At 1 January, 2003	979
Adjustment to the amount of deferred tax liability of a subsidiary acquired upon adoption of SSAP 12 (Revised)	438
<hr/>	
At 31 December, 2003	1,417
<hr/>	
<b>AMORTISATION</b>	
At 1 January, 2003	114
Charge for the year	335
<hr/>	
At 31 December, 2003	449
<hr/>	
<b>NET BOOK VALUE</b>	
At 31 December, 2003	968
<hr/>	
At 31 December, 2002	865
<hr/>	

The amortisation period adopted for this goodwill is 5 years.

## 14. INVESTMENTS IN SECURITIES

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
<b>Equity securities</b>		
Non-trading unlisted equity securities	1,225	1,191
Listed Hong Kong equity trading securities	1,499	1,177
	<b>2,724</b>	2,368
Market value of listed securities	1,499	1,177
Carrying amount analysed for reporting purposes as:		
Non-current	1,225	1,191
Current	1,499	1,177
	<b>2,724</b>	2,368

## 15. INVENTORIES

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
Raw materials	5,177	3,152
Work-in-progress	10,717	7,858
Finished goods	3,813	2,364
	<b>19,707</b>	13,374

Included above are raw materials of HK\$34,000 (2002: Nil), work-in-progress of HK\$30,000 (2002: Nil) and finished goods of HK\$128,000 (2002: Nil) which are carried at net realisable value.

**16. TRADE AND OTHER RECEIVABLES**

The Group generally allows a credit period of 30 to 90 days to its trade customers. An aging analysis of trade receivables at the balance sheet date is as follows:

	<b>THE GROUP</b>	
	<b>2003</b>	2002
	<b>HK\$'000</b>	HK\$'000
Trade receivables		
Not yet due	<b>14,851</b>	10,683
Overdue 0 to 30 days	<b>11,004</b>	8,909
Overdue 31 to 60 days	<b>1,727</b>	5,404
Overdue 61 to 90 days	<b>955</b>	1,177
Overdue 91 to 120 days	<b>60</b>	504
Overdue more than 120 days	<b>947</b>	698
	<b>29,544</b>	27,375
Other receivables		
Deferred share issue expenses	–	9,611
Deposits paid	<b>3,592</b>	2,023
Prepayments	<b>1,395</b>	713
Others	<b>2,101</b>	891
	<b>7,088</b>	13,238
	<b>36,632</b>	40,613

**17. AMOUNT DUE FROM A SUBSIDIARY**

The amount is unsecured, interest free and has no fixed terms of repayment.

# Notes to the Financial Statements

For the year ended 31 December, 2003

## 18. TRADE AND OTHER PAYABLES

An aging analysis of trade payables at the balance sheet date is as follows:

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
Trade payables		
Not yet due	2,355	692
Overdue 0 to 30 days	2,325	2,605
Overdue 31 to 60 days	19	796
Overdue 61 to 90 days	2	762
Overdue 91 to 120 days	–	51
Overdue more than 120 days	1	10
	<b>4,702</b>	4,916
Other payables		
Accruals for deferred share issue expenses	–	6,411
Accruals	9,732	8,488
Deposits received	2,193	1,354
Others	–	491
	<b>11,925</b>	16,744
	<b>16,627</b>	21,660

## 19. SECURED BANK LOAN

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
The secured bank loan is repayable as follows:		
Within one year	2,667	2,667
More than one year, but not exceeding two years	2,444	2,667
More than two years, but not exceeding five years	–	2,444
	<b>5,111</b>	7,778
Less: Amount due within one year and shown under current liabilities	<b>(2,667)</b>	(2,667)
Amount due after one year	<b>2,444</b>	5,111

**20. DEFERRED TAXATION**

The following are the major deferred tax liabilities and assets recognised and movements thereon during the current and prior reporting periods:

**THE GROUP**

	<b>Accelerated tax depreciation HK\$'000</b>	<b>Tax losses HK\$'000</b>	<b>Total HK\$'000</b>
Adjustment to the net deferred tax liability of a subsidiary acquired upon adoption of SSAP 12 (Revised)	725	(287)	438
Charge (credit) to income for the year	1,466	(1,070)	396
At 31 December, 2003	2,191	(1,357)	834

**21. SHARE CAPITAL**

	<b>Number of ordinary shares</b>	<b>Amount HK\$</b>
Authorised:		
Ordinary shares of HK\$0.01 each		
At the date of incorporation (Note (i))	35,000,000	350,000
Increase during the period (Note (iii))	965,000,000	9,650,000
At 31 December, 2002 and 2003	1,000,000,000	10,000,000
Issued and fully paid:		
Ordinary shares of HK\$0.01 each		
Issue of share to initial subscriber (Note (i))	1	–
Issue of shares (Note (ii))	1,601	16
Issue of shares on acquisition of subsidiaries (Note (iii))	17,622	176
Issued and fully paid capital at 31 December, 2002	19,224	192
Issue of shares on placing and public offer (Note (iv))	55,000,000	550,000
Capitalisation of share premium (Note (v))	164,980,776	1,649,808
Issued and fully paid capital at 31 December, 2003	220,000,000	2,200,000



## 21. SHARE CAPITAL (cont'd)

### Notes:

- (i) The Company was incorporated on 25 June, 2002 with an authorised share capital of HK\$350,000 divided into 35,000,000 shares of HK\$0.01 each. One share was allotted and issued to the initial subscriber of the Company on 29 July, 2002.
- (ii) The Company allotted and issued 1,601 new ordinary shares of HK\$0.01 each in the Company on 29 July, 2002. These new shares rank *pari passu* in all respects with the existing share.
- (iii) Pursuant to the written resolution passed by the shareholders of the Company on 11 December, 2002:
  - (a) the authorised share capital of the Company was increased from HK\$350,000 to HK\$10,000,000 by the creation of an additional 965,000,000 shares. These new shares rank *pari passu* in all respects with the existing shares; and
  - (b) the Company issued a total of 17,622 new ordinary shares of HK\$0.01 each for the acquisition of subsidiaries pursuant to the Group Reorganisation.
- (iv) On 5 January, 2003, the Company issued and allotted a total of 55,000,000 new ordinary shares of HK\$0.01 each in the Company at an offer price of HK\$0.93 per share for placing and public offer (the "Share Offer"). These new shares ranked *pari passu* in all respects with the then existing shares.
- (v) Pursuant to the written resolution passed by the shareholders of the Company on 11 December, 2002, the share premium account of the Company was credited as a result of the Share Offer. The Company allotted and issued a total of 164,980,776 new ordinary shares of HK\$0.01 each in the Company credited as fully paid at par to and amongst the shareholders whose names appeared on the register of members of the Company (or as such members of the Company may direct) as at the close of business on 16 December, 2002 in proportion (as nearly as possible without involving fractions) to their then respective shareholdings in the Company by way of capitalisation of the sum of HK\$1,649,808 standing to the credit of the share premium account of the Company. These new shares ranked *pari passu* in all respects with the then existing shares.

## 22. SHARE OPTION SCHEME

The Company's share option scheme (the "Scheme") was adopted for a period of ten years commencing from 11 December, 2002 pursuant to a written resolution of all shareholders passed on 11 December, 2002 for the primary purpose of providing incentives or rewards to directors and eligible employees. Under the Scheme, the Company may grant options to eligible employees and directors of the Company and its subsidiaries, to subscribe for shares in the Company. Additionally, the Company may, from time to time, grant share options to outside eligible advisors and consultants to the Company and its subsidiaries at the discretion of the Board of Directors.

**22. SHARE OPTION SCHEME** *(cont'd)*

The number of shares which may be issued under the Scheme is subject to the following limits:

- (i) the maximum number of shares in respect of which options may be granted under the Scheme and any other share option scheme of the Company must not in aggregate exceed 30% of the total number of issued shares of the Company from time to time;
- (ii) without prior approval from the Company's shareholders, the total number of shares in respect of which options may be granted under the Scheme and any other share option scheme is not permitted to exceed 22,000,000 shares, representing 10% of the issued share capital of the Company at 6 January, 2003; and
- (iii) the number of shares in respect of which options may be granted to any individual in any one year is not permitted to exceed 1% of the issue share capital of the Company as at the date of such grant.

A nominal consideration of HK\$1 is payable upon acceptance of the grant of the option. The exercise price is determined by the directors of the Company and will be at least the higher of (i) the average of the closing prices of the ordinary shares of the Company for the five trading days immediately preceding the date of the grant; (ii) the closing price of the ordinary shares of the Company on the date of the grant; and (iii) the nominal value of the ordinary shares of the Company.

Any options granted under the Scheme must be exercised during such option period as may be determined and notified by the directors of the Company, which shall not exceed 10 years from the date of acceptance of the option.

No options have been granted under the Scheme since its adoption.

## 23. RESERVES

	Share capital HK\$'000	Share premium HK\$'000	Contributed surplus HK\$'000	Accumulated loss HK\$'000	Total HK\$'000
<b>THE COMPANY</b>					
Reserve arising on acquisition of subsidiaries	–	–	98,291	–	98,291
Loss for the period	–	–	–	(40)	(40)
At 31 December, 2002	–	–	98,291	(40)	98,251
Issue of shares on placing and public offer	550	50,600	–	–	51,150
Capitalisation of share premium	1,650	(1,650)	–	–	–
Expenses incurred in connection with issue of shares	–	(9,598)	–	–	(9,598)
Interim dividend paid	–	–	–	(4,400)	(4,400)
Loss for the year	–	–	–	(1,280)	(1,280)
At 31 December, 2003	2,200	39,352	98,291	(5,720)	134,123

### THE GROUP

The non-distributable reserve represents the aggregate amount of the share premiums of the subsidiaries.

The merger reserve represents the difference between the aggregate nominal amount of the share capital of the subsidiaries and the nominal amount of the Company's shares issued in exchange thereof pursuant to the Group Reorganisation.

As stipulated by the relevant laws and regulations in the PRC, Dongguan United is required to maintain a general reserve fund which is non-distributable. Appropriations to this reserve fund is made out of net profit after taxation of Dongguan United's PRC statutory financial statements which are prepared in accordance with the accounting principles generally accepted in the PRC. The amount and allocation basis are decided by the board of directors of Dongguan United annually and is not less than 10% of the net profit after taxation of Dongguan United for that year. The general reserve fund can be used for expanding the capital base of the Dongguan United by means of capitalisation issue.

**23. RESERVES (cont'd)****THE COMPANY**

The contributed surplus represents the difference between the net assets of the subsidiaries and the nominal amount of the Company's shares issued in exchange thereof pursuant to the Group Reorganisation.

The Company's reserves available for distribution to its shareholders comprise contributed surplus, share premium and accumulated losses which in aggregate amounted to approximately HK\$131,923,000 (2002: HK\$98,251,000). In accordance with the Company's Articles of Association, dividends shall be payable out of the profits or other reserves, including the share premium account, of the Company and under the Companies Law (Revised) of the Cayman Islands, the Company must be able to pay its debts as they fall due in the ordinary course of business immediately following the distribution or dividend.

**24. ACQUISITION OF A SUBSIDIARY**

On 30 May, 2002, the Group acquired the entire equity interest in Everhope at a consideration of HK\$1,000,000.

The acquisition has been accounted for using the acquisition method and particulars of the acquisition are:

	<b>2003</b>	2002
	<b>HK\$'000</b>	HK\$'000
Net assets acquired		
Property, plant and equipment	–	9,569
Inventories	–	1,604
Trade and other receivables	–	1,703
Bills receivable	–	822
Amount due from a fellow subsidiary	–	25,812
Taxation recoverable	–	65
Bank balances and cash	–	2,823
Trade and other payables	–	(3,055)
Amount due to a fellow subsidiary	–	(39,322)
	–	21
Goodwill	–	979
Total consideration	–	1,000
Satisfied by:		
Cash	–	1,000
Net inflow of cash and cash equivalents arising on acquisition:		
Cash consideration	–	(1,000)
Bank balances and cash acquired	–	2,823
	–	1,823

The subsidiary acquired during the year ended 31 December, 2002 contributed approximately HK\$19 million to the Group's turnover, and approximately HK\$2 million to the Group's profit from operations.

## 25. CAPITAL COMMITMENTS

	<b>2003</b>	2002
	<b>HK\$'000</b>	HK\$'000
Capital commitment contracted for but not provided in the financial statements in respect of acquisition of property, plant and equipment	<b>26,658</b>	891

## 26. OPERATING LEASE COMMITMENTS

At the balance sheet date, the Group had outstanding commitments under non-cancellable operating leases for rented premises which fall due as follows:

	<b>2003</b>	2002
	<b>HK\$'000</b>	HK\$'000
Within one year	<b>3,498</b>	2,922
In the second to fifth year inclusive	<b>11,253</b>	10,534
Over five years	<b>7,748</b>	9,628
	<b>22,499</b>	23,084

Operating lease payments represent rentals payable by the Group for certain of its office properties and factory land and buildings. The average lease term is 13 years. Rentals are fixed and no arrangements have been entered into for contingent rental payments.

## 27. PLEDGE OF ASSETS

As 31 December, 2003, general banking facilities granted by a bank to the Group were secured by the Group's investments in securities amounting to approximately HK\$1,225,000 (2002: HK\$1,191,000).

**28. RETIREMENT BENEFIT SCHEMES**

Effective from 1 December, 2000, the Group has participated in a Mandatory Provident Fund Scheme ("MPF Scheme") for all its employees in Hong Kong. The MPF Scheme is registered with the Mandatory Provident Fund Scheme Authority under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the rules of the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at rates specified in the rules. The only obligation of the Group with respect to MPF Scheme is to make the required contributions under the scheme. No forfeited contributions are available to reduce the contribution payable in the future years.

The Group is also required to make contributions to state pension schemes in the PRC based on a certain percentage of the monthly salaries of the employees of Dongguan United and Everhope. The Group has no other obligations under the state pension schemes in the PRC other than the contribution payments.

During the year, the total amount contributed by the Group to the relevant retirement benefits schemes are as follows:

	<b>2003</b>	2002
	<b>HK\$'000</b>	HK\$'000
MPF Scheme	<b>141</b>	176
State Pension	<b>267</b>	224
	<b>408</b>	400

**29. RELATED PARTY DISCLOSURES****(a) Related party transactions**

During the year, the Group had significant transactions with the following related parties:

Name of related party	Nature of transaction	Notes	2003	2002
			<b>HK\$'000</b>	HK\$'000
Allied Metal Industries Limited ("Allied Metal")	Purchase of inventories	(i)&(iv)	-	1,245
Everhope	Purchase of inventories	(ii)&(iv)	-	4,226
	Sales commission	(ii)&(v)	-	348
	Sale of goods	(ii)&(iv)	-	11,949
Kong Cheuk Luen, Trevor	Acquisition of Everhope	(ii)&(vi)	-	500
Wong Kit Yue	Acquisition of Everhope	(ii)&(vi)	-	500
Thomas Lau, Luen-hung	Disposal of investment property	(iii)&(vii)	-	2,210

## 29. RELATED PARTY DISCLOSURES *(cont'd)*

### (a) Related party transactions *(cont'd)*

Notes:

- (i) Mr. Tsang Chiu Wai, a director and a shareholder of the Company, had beneficial interest in Allied Metal until 30 May, 2002, on which date, his entire interest in Allied Metal was disposed of to an independent third party.
- (ii) Mr. Kong Cheuk Luen, Trevor, a director and a shareholder of the Company, and Ms. Wong Kit Yue, spouse of Mr. Kong Cheuk Luen, Trevor, had beneficial interests in Everhope until 30 May, 2002, on which date, they disposed of their entire interests in Everhope to United Malaysia.
- (iii) Mr. Thomas Lau, Luen-hung is a director and a shareholder of the Company.
- (iv) The price of the purchase of inventories and sale of goods were mutually agreed between the Group and the related parties.
- (v) The provision of sales commission was determined in accordance with the contracts entered into between the Group and the related party.
- (vi) The consideration for the acquisition of Everhope from Mr. Kong Cheuk Luen, Trevor and Ms. Wong Kit Yue was determined at an amount mutually agreed between the Group and the related parties.
- (vii) The consideration for the disposal of investment property was mutually agreed between the Group and Mr. Thomas Lau, Luen-hung.

Furthermore, as Allied Metal ceased to be a related company and Everhope became a subsidiary of the Group on 30 May, 2002, transactions with these two companies subsequent to 30 May, 2002 were not regarded as related party transactions.

### (b) Bank facilities

In addition to the pledge of the Group's assets as set out in note 27, certain of the Group's banking facilities as at 31 December, 2002 were also secured by the personal guarantee given by Mr. Tsang Chiu Wai to the extent of HK\$40,000,000. The personal guarantee was released on 31 March, 2003.

### 30. POST BALANCE SHEET EVENTS

The following events occurred subsequent to the balance sheet date:

- (a) Pursuant to an announcement dated 12 December, 2003, UMAM submitted an application to the PRC government for an establishment of a wholly-owned foreign enterprise, United Metal Products (Shanghai) Co. Ltd. 科鑄金屬制品(上海)有限公司 (“UMSH”) under the laws of the PRC for the purpose of establishing and operating a new factory and production premises located in Shanghai. UMSH was established on 17 January, 2004.
- (b) On 12 December, 2003, UMAM entered into an agreement with Shanghai Anting Economic Development Centre 上海安亭經濟發展中心 (“Shanghai Anting”), an independent third party (the “Agreement”). Pursuant to the Agreement, UMAM agreed to acquire land use rights of a piece of land situated at Shanghai (the “Land”) for a total consideration of approximately RMB7,283,000 (equivalent to approximately HK\$6,860,000). Subsequent to the date of the Agreement, UMAM paid US\$275,000 (equivalent to approximately HK\$2,145,000) to Shanghai Anting.
- (c) Subsequent to 31 December, 2003, a wholly-owned foreign enterprise, United Castings (Dongguan) Co. Ltd 東莞科鑄金屬制品有限公司 (“UCDG”) was established. UCDG was established on 14 January, 2004.



# Financial Summary

Set out below is a financial summary of the Group for five years ended 31 December, 2003:

## RESULTS

	For the year ended 31 December,				
	1999 HK\$'000	2000 HK\$'000	2001 HK\$'000	2002 HK\$'000	2003 HK\$'000
Turnover	81,827	99,801	115,845	134,163	<b>150,545</b>
Profit from operations	15,379	18,697	24,644	30,391	<b>27,978</b>
Finance costs	(169)	(39)	(23)	(24)	<b>(265)</b>
Profit before taxation	15,210	18,658	24,621	30,367	<b>27,713</b>
Taxation	(240)	(260)	(1,872)	(1,828)	<b>(1,959)</b>
Profit for the year	14,970	18,398	22,749	28,539	<b>25,754</b>
Earnings per share – basic	20.2 cents	13.8 cents	13.8 cents	17.3 cents	<b>11.7 cents</b>

## ASSETS AND LIABILITIES

	As at 31 December,				
	1999 HK\$'000	2000 HK\$'000	2001 HK\$'000	2002 HK\$'000	2003 HK\$'000
Total assets	52,357	78,524	97,313	130,190	<b>186,034</b>
Total liabilities	(22,871)	(16,614)	(12,695)	(31,939)	<b>(24,843)</b>
Shareholders' funds	29,486	61,910	84,618	98,251	<b>161,191</b>