Interim Report 2003
二零零三年中期報告

United Metals Holdings Limited
科鑄技術集團有限公司

CONTENTS

目錄

FINANCIAL HIGHLIGHTS

Results highlighted for the six months ended June 30, 2003

- Total turnover increased 20% to HK$70,435,000.
- Profit for the period increased 20% to HK$15,406,000.
- An interim dividends of HK2 cents per share will be paid.

MANAGEMENT DISCUSSION AND ANALYSIS

Market Overview

United Metals Holdings Limited (the "Company") and its subsidiaries (the "Group") has experienced a steady growth momentum during the period under review. Due to the cycle of economic downturn that has inevitably affected the inventory level of manufacturers, coupled with the preference for small-scale production to meet the changing demands of customers, there is an intensifying need for the effective outsourcing of quality, flexible and cost-efficient die-casting production.

With its geographical advantages, China has become a major global manufacturing hub. A vast majority of Hong Kong and foreign manufacturers have relocated their manufacturing bases to China in order to increase their profitability and operational competitiveness. This phenomenon has created a surge in demand for quality and efficient die-casting services. Looking forward, China economy is expected to boom further after accession to the WTO.

Fortified by its unique strengths and competitiveness, the Company is poised to further capture the enormous domestic demand for die-casting in the fast growing China market and to become the leading and indispensable die-casting partner of global manufacturers.

Business Review

Given the Group's sound business model, unique and fully vertically-integrated die-casting services that meet international safety and quality standards, flexible production scale, as well as stringent quality and cost controls, the Company has successfully maintained its healthy growth momentum for the six months ended June 30, 2003. During the period under review, the Group recorded HK$70,435,000 turnover and HK$25,838,000 gross profit, which represent 20% and 36% growth respectively, over the corresponding period last year. Net profit also surged by 20% to reach HK$15,406,000. The Board of Directors of the Company (the "Directors") recommended an interim dividend of HK2 cents per share for the six months ended June 30, 2003.

The promising growth recorded in both turnover and gross profit are mainly attributable to the Group's endeavors in enhancing its production capacity and attracting new clients. Through its expansion of production facilities, the adoption of new and advanced technologies and the provision of value-added die-casting services, the Company has been able to conclude new items from existing clients and most importantly, secure orders from new clients. A series of stringent cost and quality control measures implemented during the period under review have also led to an encouraging 20% increase in net profit.

Operational Review

During the period under review, the Group has continued to demonstrate its core strengths through the provision of fully vertically-integrated die-casting services to reputable clients, both domestic and overseas.

Enhanced Production Capacity

To meet the growing demand from both domestic and overseas markets, the Group has expended enormous efforts in increasing its production capacity. With over 100 sets of advanced production machineries and a utilization rate of approximately 70%, the Group's production capacity has increased from approximately 200-250 tons per month in the past to over 300 tons per month.

Diversified Product Range with Increasing Focus on Magnesium

During the period under review, the Group continued to provide a comprehensive tailor-made product range to promote choice and diversity for leading manufacturers, at a competitive price. Aluminium parts remained the most widely used metal alloy, accounting for approximately 85% of the total sales volume, followed by zinc parts at 11% and screw machined brass parts at 2%. Besides, the Group has also commenced production in magnesium parts and it is anticipated that magnesium parts will become an important income driver for the Group.

Enhanced International Customer Base

The Group's die-casting products have attracted over 60 local and overseas customers spanning China, Japan, Singapore, North America and Europe. For the six months ended June 30, 2003, China is the biggest country of shipment delivery, contributing 56% to the Group's total turnover. The second largest place of shipment delivery is North America at 28%, followed by Europe with 14% and Singapore with 2% to the Group's total turnover.

During the period, the Group has been committed to attracting new customers to further fortify its business developments. In addition to the famous brandnames that include Siemens, Techtronics, Yamatake, Toshiba TEC, Johnson Electric, Kenwood, Rockwell Automation and Matsushita Panasonic, the Group has successfully secured two new US-based clients engaged in the automotive and heavy-industrial sectors.

Advanced Die-casting Technologies with Stringent Cost and Quality Control

During the period under review, the Group has developed numerous advanced technologies, which coupled with various value-added services, significantly enhance the Group's product and service portfolio. The Group has further enhanced its technologies and preventive maintenance programs to minimize machine downtime costs. With the high quality control standards that have already earned worldwide accreditations, the Group can ensure product quality and secure its leading position in the die-casting industry.

Human Resources and Management

As at June 30, 2003, the Group employed over 1,800 employees, an increase of 18% as compared with 2002. Staff cost was 22% (2002: 17%) of the total turnover. The Group is committed to providing comprehensive staff training, including new staff training and continual skill development courses. Employees' performance were reviewed on a regular basis and bonuses averaged about one month salary were awarded accordingly. The Group has a share option scheme for its eligible employees and Directors. For the period under review, no share options has been granted.

Future Strategies

China's robust economic growth is conspicuous and overwhelming. As such, the Group will continue to focus on the China market, so as to ride on the momentum of its development as well as the economic integration of the Greater China Region. The Group has also identified the automotive industry as one of its core business focuses, since China's automotive production levels have witnessed a healthy surge as a result of the country's increasing economic prosperity. Combining its competitive advantages of low production and labor costs, reliability and impressive production capacity, the Group has accumulated an established, diversified and expanding client base. The Group continuously attracts increasing orders from existing clients and captures new customers.

In the coming future, the Group will further enhance its production capacity in order to meet the increasing demand for die-casting services. Simultaneously, the Group will also extend its client base, so as to cement its market position in China as well as other regions in the world. The Company strives to become the leading world-class die-caster in the global markets, as well as striving to become an indispensable die-casting partner for both domestic and international manufacturers in China.

Liquidity and Financial Resources

The working capital of the Group was generally financed by the internal cash flows from its operation and its existing banking facilities. As at June 30, 2003, the Group's cash on hand and bank balances amounted to approximately HK$72,928,000, which included net cash inflows and proceeds raised from initial public offer. The secured bank loan was approximately HK$6,445,000, of which HK$2,667,000 would be due within one year. The Group had a net current assets of HK$102,300,000 and a current liabilities of HK$28,186,000 as at June 30, 2003.

Due to the implementation of a prudent credit policy, debtors' turnover days decreased to 71 days. The gearing position, which is defined as the Group's ratio of total debts to total assets, was 3.4% (2002: 6.0%), reflecting the Group's healthy financial position.

As at June 30, 2003, the Group's borrowings were wholly denominated in Hong Kong Dollars and carried at interest rate calculated with reference to prime rate. The Group did not have any financial instruments used for hedging purpose.

Contingent Liabilities

As at June 30, 2003, neither the Group nor the Company had any contingent liabilities.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SECURITIES

At June 30, 2003, the interests of the Directors and the chief executives of the Group in the share capital of the Company, 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 in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), were as follows:

Name of Director	Nature of interest	Number of ordinary shares of the Company held
Thomas Lau, Luen-hung	Corporate interest *(Note i)*	56,958,000
Tsang Chiu Wai	Corporate interest *(Note ii)*	56,232,000
Kong Cheuk Luen, Trevor	Corporate interest *(Note iii)*	28,006,000

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 which is beneficially owned by Thomas Lau, Luen-hung. Accordingly, 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 which is beneficially owned by Tsang Chiu Wai. Accordingly, 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 which is beneficially owned by Kong Cheuk Luen, Trevor. Accordingly, Kong Cheuk Luen, Trevor is deemed to be interested in 28,006,000 shares held by Absolute Above Limited under the SFO.

Save as disclosed above, none of the directors or chief executives, nor any of their associates, had any interests in any securities of the Company or any of its associated corporations as defined by the SFO.

SHAREHOLDERS WITH NOTIFIABLE INTEREST

Other than as disclosed under the section headed "DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SECURITIES", the Company has not been notified of any other interests representing 5% or more of the issued share capital of the Company as at June 30, 2003.

INTERIM DIVIDEND

The Directors have resolved to declare an interim dividend of HK2 cents per share for the financial year of 2003. The interim dividend will be payable on or about September 18, 2003 to shareholders whose names appear on the Register of Members of the Company on September 15, 2003.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from September 10, 2003 to September 15, 2003, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's Share Registrars in Hong Kong, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:00 p.m. on September 9, 2003.

USE OF THE PROCEEDS FROM THE INITIAL PUBLIC OFFER

The net proceeds from the Company's issue of new shares at the time of its listing on the Stock Exchange on January 6, 2003 amounted to approximately HK$41.6 million. During the period, the proceeds were applied as follows:

- Amount of HK$8.9 million was expensed for the expansion of Group's current production facilities, additional machineries to increase production capacity, and strengthening sales and marketing activities.

- HK$10.3 million worth of contracts were under construction in progress for additional machineries in production and tooling making facilities.

The Group intends to apply the remaining proceeds in the balance of the year continuing to increase production capacity.

EXPOSURE TO FOREIGN EXCHANGE RISKS

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

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the six months ended June 30, 2003, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

CODE OF BEST PRACTICE

None of the Directors of the Company is aware of any information that would reasonably indicate that the Company is not, or was not for any part of the six months ended June 30, 2003, in compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules, except that the non-executive directors are not appointed for a specific term as they are subject to retirement by rotation and re-election at Annual General Meeting in accordance with the Company's Articles of Association.

AUDIT COMMITTEE

To comply with the Code of Best Practice as set out in Appendix 14 of the Listing Rules, the Company set up an audit committee (the "Committee"), for the purpose of reviewing and providing supervision on the financial reporting process and internal control of the Group. The Committee comprises of three independent non-executive directors. This unaudited interim report for the six months ended June 30, 2003 as well as accounting principles and practices have been reviewed by the Committee.

PUBLISHMENT OF RESULTS ON THE STOCK EXCHANGE'S WEBSITE

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

APPRECIATION

I would like to take this opportunity to thank our shareholders, my fellow Directors and our staff members for their dedication and support.

On behalf of the Board
Thomas Lau, Luen-hung
Chairman

Hong Kong, August 25, 2003

The Directors would like to announce the unaudited condensed consolidated results of the Group for the six months ended June 30, 2003, together with the unaudited comparative figures for the six months ended June 30, 2002 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended June 30, 2003

		Six months ended June 30,	
		2003	2002
		HKD$'000	*HKD$'000*
	Notes	***(unaudited)***	*(unaudited)*
Turnover	*3*	**70,435**	58,468
Cost of sales		**(44,597)**	(39,476)
Gross profit		**25,838**	18,992
Other operating income		**693**	569
Selling and distribution expenses		**(1,455)**	(1,237)
Administrative expenses		**(7,927)**	(4,237)
Other operating expenses		**(415)**	(462)
Profit from operations	*4*	**16,734**	13,625
Finance cost	*5*	**(145)**	(1)
Profit before taxation		**16,589**	13,624
Taxation	*6*	**(1,183)**	(820)
Profit for the period		**15,406**	12,804
Interim dividend	*7*	**4,400**	–
Earnings per share – basic	*8*	**7.05 cents**	7.76 cents

CONDENSED CONSOLIDATED BALANCE SHEET

At June 30, 2003

	Notes	At June 30, 2003 HK$'000 (unaudited)	At December 31, 2002 HK$'000 (audited)
Non-Current Assets			
Property, plant and equipment		**54,884**	49,632
Goodwill	*10*	**1,110**	865
Investments in securities		**1,216**	1,191
Deferred tax assets	*11*	**398**	–
		57,608	51,688
Current Assets			
Inventories		**21,572**	13,374
Trade and other receivables	*12*	**34,326**	40,613
Bills receivable		**514**	1,539
Investments in securities		**1,146**	1,177
Taxation recoverable		**–**	65
Bank balances and cash		**72,928**	21,734
		130,486	78,502
Current Liabilities			
Trade and other payables	*13*	**23,131**	21,660
Taxation payable		**2,388**	2,501
Secured bank loan – due within one year		**2,667**	2,667
		28,186	26,828
Net Current Assets		**102,300**	51,674
Total Assets Less Current Liabilities		**159,908**	103,362
Non-Current Liabilities			
Secured bank loan – due after one year		**3,778**	5,111
Deferred tax liabilities	*11*	**896**	–
		4,674	5,111
Net Assets		**155,234**	98,251
Capital and Reserves			
Share capital	*14*	**2,200**	–
Reserves		**148,634**	98,251
Proposed interim dividend		**4,400**	–
Shareholders' Funds		**155,234**	98,251

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended June 30, 2003

	Share capital HK$'000 (Note 14)	Share premium HK$'000	Investments revaluation reserve HK$'000	Non-distributable reserve HK$'000	Merger reserve HK$'000	General reserve fund HK$'000	Accumulated profits HK$'000	Total HK$'000
At January 1, 2002	–	–	(41)	31,563	127	3,970	48,999	84,618
Surplus on revaluation	–	–	29	–	–	–	–	29
Profit for the period	–	–	–	–	–	–	12,804	12,804
At June 30, 2002	–	–	(12)	31,563	127	3,970	61,803	97,451
Surplus on revaluation	–	–	44	–	–	–	–	44
Special dividend paid	–	–	–	(14,979)	–	–	–	(14,979)
Transfer	–	–	–	–	–	862	(862)	–
Profit for the period	–	–	–	–	–	–	15,735	15,735
At December 31, 2002	–	–	32	16,584	127	4,832	76,676	98,251
Issue of shares through placing and public offer	550	50,600	–	–	–	–	–	51,150
Issue of shares by capitalisation at share premium account	1,650	(1,650)	–	–	–	–	–	–
Expenses incurred in connection with the issue of shares	–	(9,598)	–	–	–	–	–	(9,598)
Surplus on revaluation	–	–	25	–	–	–	–	25
Profit for the period	–	–	–	–	–	–	15,406	15,406
At June 30, 2003	**2,200**	**39,352**	**57**	**16,584**	**127**	**4,832**	**92,082**	**155,234**

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended June 30, 2003

	Six months ended June 30,	
	2003	2002
	HK$'000	HK$'000
	(unaudited)	*(unaudited)*
NET CASH FROM OPERATING ACTIVITIES	**19,939**	9,928
NET CASH USED IN INVESTING ACTIVITIES	**(8,819)**	(3,558)
NET CASH FROM / (USED IN) FINANCING ACTIVITIES	**40,074**	(1)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**51,194**	6,369
CASH AND CASH EQUIVALENTS BROUGHT FORWARD	**21,734**	12,555
CASH AND CASH EQUIVALENTS CARRIED FORWARD, represented by bank balances and cash	**72,928**	18,924

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

1. Group reorganisation and basis of preparation of condensed 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 June 25, 2002.

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

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

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

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

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

2. Significant accounting policies

The condensed financial statements have been prepared in compliance with SSAP No. 25 "Interim Financial Reporting" issued by the Hong Kong Society of Accountants and with the applicable disclosure requirements of Appendix 16 to the Listing Rules.

The condensed financial statements have been prepared under the historical cost convention, as modified for the revaluation of investments in securities. The accounting policies adopted are consistent with those followed in the preparation of the Group's annual financial statements for the year ended December 31, 2002, except as described below.

During the period ended June 30, 2003, the Group adopted SSAP No. 12 (revised) "Income Taxes" for the first time in the preparation of the current period's condensed financial statements.

The principal effect of the implementation of SSAP No. 12 (revised) is in relation to deferred tax. In previous years, partial provision was made for deferred tax using the income statement liability method, i.e. a liability was recognised in respect of timing differences arising, except where those timing differences were not expected to reverse in the foreseeable future. SSAP No. 12 (revised) requires the adoption of a balance sheet liability method, whereby deferred tax is recognised in respect of all temporary differences between the carrying amount of assets and liabilities in the condensed financial statements and the corresponding tax basis used in the computation of taxable profit, with limited exceptions. As the effect of the change of accounting policy due to the adoption of the SSAP No. 12 (revised) on the accounts of the previous periods is not significant, no prior years adjustment has been made.

The change in accounting policy has resulted in a net decrease in the Group's net profit for the six months ended June 30, 2003 by HK$155,000. The decrease in net profits is due to the followings:

i) The cost of the goodwill on acquisition of a subsidiary has been changed from HK$979,000 to HK$1,417,000 to take into account of the net deferred tax liabilities incurred by the subsidiary at the date of acquisition. Furthermore, the goodwill amortisation is increased by HK$95,000.

ii) The deferred tax expense is increased by HK$60,000.

The change of the accounting policy also results in the Group's deferred tax assets and liabilities as at June 30, 2003 increased by HK$398,000 and HK$896,000 respectively.

3. Segmental information

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.

	Turnover		Segment Results	
	Six months ended June 30,		Six months ended June 30,	
	2003	2002	**2003**	2002
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Aluminium parts	**59,863**	48,465	**14,558**	12,562
Manufactured zinc parts	**7,800**	4,894	**2,060**	875
Processed zinc parts	**–**	2,197	**–**	123
Screw machined brass parts	**1,595**	2,716	**247**	502
Others	**1,177**	196	**150**	8
	70,435	58,468	**17,015**	14,070
Expenses from investment in securities			**(30)**	(445)
Interest income			**240**	64
Unallocated corporate expenses			**(491)**	(64)
Profit from operations			**16,734**	13,625

Geographical Segments

The following table provides an analysis of the Group's sales by geographical markets:

	Turnover		Segment Results	
	Six months ended June 30,		Six months ended June 30,	
	2003	2002	**2003**	2002
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
The People's Republic of China (the "PRC")	**39,318**	29,657	**9,661**	7,017
North America	**19,483**	15,076	**4,634**	3,530
Europe	**10,365**	11,835	**2,428**	3,033
Others	**1,269**	1,900	**292**	490
	70,435	58,468	**17,015**	14,070
Expenses from investments in securities			**(30)**	(445)
Interest income			**240**	64
Unallocated corporate expenses			**(491)**	(64)
Profit from operations			**16,734**	13,625

4. Profit from operations

	Six months ended June 30, 2003 HK$'000	2002 HK$'000
Profit from operations has been arrived at after charging:		
Depreciation	**3,833**	2,165
Amortisation of goodwill (included in other operating expenses)	**193**	16
Net realised and unrealised holding losses on listed trading securities	**31**	445

5. Finance cost

	Six months ended June 30, 2003 HK$'000	2002 HK$'000
Interest on borrowings from bank	**145**	1

6. Taxation

	Six months ended June 30, 2003 HK$'000	2002 HK$'000
Current tax:		
Hong Kong	**546**	292
Other jurisdictions	**577**	528
Deferred tax *(Note 11)*	**60**	–
	1,183	820

Hong Kong Profits Tax is calculated at 17.5% (2002: 16%) of the estimated assessable profit for the period.

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

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 period.

Deferred taxation for 2003 includes a one-off deferred tax income of HK$190,000, which arose from recomputing outstanding net deferred tax assets carried forward from 2002 using the higher tax rate of 17.5%.

7. Interim dividend

The Directors have resolved to declare an interim dividend of HK2 cents per share for the financial year of 2003. The interim dividend will be payable on or about September 18, 2003 to shareholders whose names appear on the Register of Members of the Company on September 15, 2003.

8. Earnings per share

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

	Six months ended June 30,	
	2003	2002
	HK$'000	*HK$'000*
Earnings		
Earnings for the purpose of basic earnings per share	**15,406**	12,804
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share *(Note)*	**218,481,000**	165,000,000

Note:

The weighted average number of shares for the purpose of basic earnings per share for the six months ended June 30, 2002 is calculated as if the Group Reorganisation and the capitalisation issue as set out in Appendix V to the Prospectus had been effective at the beginning of that period.

No diluted earnings per share has been presented for the six months ended June 30, 2002 and 2003 as there were no potential dilutive ordinary shares in existence for the periods.

9. Additions to property, plant and equipment

During the period, the Group spent approximately HK$8,693,000 (Six months ended June 30, 2002: HK$9,501,000) on additions to manufacturing plant and equipment in the PRC, in order to upgrade its manufacturing capabilities.

10. Goodwill

	HK$'000
COST	
At December 31, 2002	979
Addition as a result of adoption of SSAP No. 12 (revised)	438
At June 30, 2003	**1,417**
AMORTISATION	
At December 31, 2002	114
Charge for the period	193
At June 30, 2003	**307**
NET BOOK VALUE	
At June 30, 2003	**1,110**
At December 31, 2002	865

11. Deferred tax

The following are the major deferred tax assets and liabilities recognised by the Group and movement thereon during the period:

	Depreciation allowances in excess of related depreciation *HK'000*	Unrealised losses on listed trading securities *HK'000*	Tax losses *HK'000*	Total *HK'000*
Addition through acquisition of subsidiary	725	–	(287)	438
Charged / (credited) to condensed consolidated income statement	887	(398)	(429)	60
At June 30, 2003	**1,612**	**(398)**	**(716)**	**498**

For the purposes of condensed consolidated balance sheet presentation, certain deferred tax assets and liabilities have been offset in accordance with the conditions set out in SSAP No. 12 (revised). The following is the analysis of the deferred tax balances for financial reporting purposes:

	At June 30, 2003 *HK$'000*
Deferred tax assets	**(398)**
Deferred tax liabilities	**896**
	498

12. 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:

	At June 30, 2003	At December 31, 2002
	HK$'000	*HK$'000*
Trade receivables:		
Not yet due	**15,645**	10,683
Overdue 0 to 30 days	**7,695**	8,909
Overdue 31 to 60 days	**2,372**	5,404
Overdue 61 to 90 days	**944**	1,177
Overdue 91 to 120 days	**334**	504
Overdue more than 120 days	**609**	698
	27,599	27,375
Other receivables:		
Deferred share issue expenses	**–**	9,611
Deposits paid	**3,829**	2,023
Prepayments	**2,561**	713
Others	**337**	891
	6,727	13,238
	34,326	40,613

13. Trade and other payables

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

	At June 30, 2003 HK$'000	At December 31, 2002 HK$'000
Trade payables:		
Not yet due	**4,832**	692
Overdue 0 to 30 days	**1,812**	2,605
Overdue 31 to 60 days	**1,459**	796
Overdue 61 to 90 days	**141**	762
Overdue 91 to 120 days	**29**	51
Overdue more than 120 days	**–**	10
	8,273	4,916
Other payables:		
Accruals for deferred share issue expenses	**–**	6,411
Accruals	**11,629**	8,488
Deposits received	**3,189**	1,354
Others	**40**	491
	14,858	16,744
	23,131	21,660

14. Share capital

	At June 30, 2003 HK$	At December 31, 2002 HK$
Authorised:		
1,000,000,000 ordinary shares of HK$0.01 each	**10,000,000**	10,000,000
Issued and fully paid:		
220,000,000 ordinary shares of HK$0.01 each (At December 31, 2002: 19,224 ordinary shares of HK$0.01 each)	**2,200,000**	192

A summary of the movements of the Company's ordinary share capital is as follows:

	Number of shares	Carrying amount *HK$*
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 December 31, 2002	19,224	192
Issue of shares by capitalisation at share premium account *(Note (iii))*	164,980,776	–
Proforma issued share capital at December 31, 2002	165,000,000	192
Issue of shares through placing and public offer *(Note (iv))*	55,000,000	550,000
Capitalisation of share premium account as set out above	–	1,649,808
Issued and fully paid capital at June 30, 2003	220,000,000	2,200,000

Notes:

(i) The Company was incorporated on June 25, 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 July 29, 2002.

(ii) The Company allotted and issued 1,601 new ordinary shares of HK$0.01 each in the Company on July 29, 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 December 11, 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;

(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; and

(c) conditional on the share premium account of the Company being credited as a result of the share offer, a total of 164,980,776 shares were allotted and issued as fully paid at par to and amongst the shareholders whose names appear on the Register of Members of the Company (or as such members of the Company may direct) as at the close of business on December 16, 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$1,649,807.76 standing to the credit of the share premium account of the Company.

(iv) On January 5, 2003 a total of 55,000,000 shares of HK$0.01 each were issued to the public at a price of HK$0.93 each for a total cash consideration, before related expenses, of HK$51,150,000.

15. Share option scheme

The Company's share option scheme was adopted for a period of ten years commencing from December 11, 2002 pursuant to a written resolution of all shareholders passed on December 11, 2002 for the primary purpose of providing incentives or rewards to Directors and eligible employees.

Up to the date of approval of this interim report, no options have been granted under the said scheme.

16. Capital commitments

	At June 30, 2003	At December 31, 2002
	HK$'000	*HK$'000*
	(unaudited)	*(audited)*
Capital commitment contracted for but not provided in the condensed financial statements in respect of acquisition of property, plant and equipment	**9,158**	891

17. 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:

	At June 30, 2003	At December 31, 2002
	HK$'000	*HK$'000*
	(unaudited)	*(audited)*
Within one year	**2,704**	2,922
In the second to fifth year inclusive	**10,442**	10,534
Over five years	**8,411**	9,628
	21,557	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.

18. Pledge of assets

At June 30, 2003, general banking facilities granted by a bank to the Group were secured by the Group's investments in securities amounting to approximately HK$1,216,000 (At December 31, 2002: HK$1,191,000).

19. Related party disclosures

During the period, certain of the Group's banking facilities were secured by the personal guarantee given by Tsang Chiu Wai to the extent of HK$40,000,000 and it was released on January 6, 2003.

United Metals Holdings Limited
科鑄技術集團有限公司

www.unitedmetals.com.hk

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

香港九龍長沙灣
荔枝角道 838 號
勵豐中心 9 樓901-903室

電話：(852) 2422 7636
傳真：(852) 2480 4462
電郵：info@unitedmetals.com.hk