

Management Discussion & Analysis 管理層討論及分析

INDUSTRY OUTLOOK

2005 is a turbulence year to the die casting industry. According to the report of U.S. metal casting report issued by Modern Casting in January 2006, despite only a slight growth in light vehicle production in 2005, metal casting shipments rose 4.2% over 2004 to approximately 14.1 million tons. The rebound is expected to continue in each of the next three years and show an overall growth of 7.9% to approximately 14.7 million tons from 2004 to 2008.

Aluminium casting shipments are expected to rise 2.6% in 2006 and grow in the short term by 8.3% through 2008; however, the People's Republic of China (the "PRC") market continued to be the economic pulse of the new era and manufacturing base with vast consumption, the demand is better than the global average.

Under the national policy towards the automotives sector, the new adoption of aluminum and magnesium parts in cars and trucks to reduce weight, together with the encouragement of producing small car, results in the increase of the demand of die casting. To capture the enormous potentials in both local and global die casting markets, United Metals Holdings Limited (the "Company") and its subsidiaries (collectively, "United Metals" or 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.

行業展望

二零零五年對壓鑄業而言為反覆的一年。根據Modern Casting於二零零六年一月發表有關美國金屬鑄件之報告，儘管二零零五年之輕型汽車生產僅輕微增長，金屬鑄件付運量卻較二零零四年增加4.2%至約14,100,000噸。此復甦勢頭預期將於未來三年每年持續，並於二零零四年至二零零八年期間整體增長7.9%至約14,700,000噸。

預期鋁鑄件付運量將於二零零六年增長2.6%，並於二零零八年前短期增長8.3%；然而，中華人民共和國（「中國」）市場繼續作為新紀元之經濟脈搏及耗用量龐大之生產基地，故需求將優於全球平均水平。

根據國家對汽車業之政策，汽車及貨車最近採用鋁及鎂部件以減輕重量，加上鼓勵生產小型汽車，帶動壓鑄需求增加。為抓緊當地及全球壓鑄市場之龐大潛力，科鑄技術集團有限公司（「本公司」）及其附屬公司（統稱「科鑄」或「本集團」）身為國內及海外客戶之全面垂直綜合壓鑄件生產商，已作好準備加速發展及提升業務增長。

BUSINESS REVIEW

For the year ended 31st December, 2005, the Group successfully maintained its growth momentum. Turnover surged 21% to approximately HK\$186,621,000, and the profit for the year increased 23% to HK\$10,329,000. It is mainly attributable to the increase in orders from existing automotive and industrial household appliances customers. Aluminium parts is still the core profit contributor, which accounted for approximately 92% of the turnover. Zinc and magnesium also contributed to 6% and 2% of turnover respectively. However, due to a number of factors, namely rise in metal alloy prices, appreciation of Renminbi (“RMB”) starting from July 2005, climbing fuel oil prices, shortages and unstable supply of labour and escalating wages and salaries in Southern China, overall gross profit margin was slightly decreased by 1% to approximately 15% in 2005.

With the solid business model, flexible production procedures and effective workforce, the Group achieved optimistic results and minimise the negative impacts brought about by the above-mentioned factors. In addition, the Group also expanded its client base and sales orders by increasing its operation efficiency through process automation. More Computerised Numerical Control (“CNC”) machines and other advanced machineries were introduced to enhance the production efficiency.

To ensure the market-leading position in the coming year, the Group implemented various strategies and production techniques to deliver more sophisticated assembled components to its customers.

業務回顧

截至二零零五年十二月三十一日止年度，本集團成功保持其增長動力。營業額上升21%至約港幣186,621,000元，而年內溢利則增加23%至港幣10,329,000元。主要歸因於現有汽車及工業的家電客戶之訂單增加。鋁部件仍為核心利潤貢獻來源，佔營業額約92%。鋅及鎂亦分別佔營業額6%及2%。然而，由於合金價格上升、人民幣（「人民幣」）自二零零五年七月起升值、燃油價格攀升、華南地區勞工供應短缺及不穩以及工資及薪金急升等多項因素影響下，二零零五年整體毛利率輕微減少1%至約15%。

憑藉穩固的業務模式、靈活的生產程序及有效率的員工隊伍，本集團獲得理想業績，且減低了上述因素之負面影響。此外，本集團亦透過自動化工序提升其營運效率，從而擴闊客戶基礎及增加銷售訂單。本集團引入更多電腦化數據控制（「CNC」）機器及其他先進機器，以提升生產效率。

為確保來年維持市場領導地位，本集團推行多項策略及生產技術，以便向客戶提供更多精密裝嵌部件。

OPERATIONAL REVIEW

As a fully vertically-integrated die caster for domestic and international client, the Group was able to increase the total turnover and profit yet 2005 is a challenging year for the manufacturers. To prepare the best to capture the upcoming market opportunities, 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 potential ahead.

Enhanced production capacity

With the view of robust demand on die casting parts in China, the Group already planned to construct a new production plant, which is strategically located in Shanghai, to produce automotive as well as other industrial parts to various manufacturers. Construction of the new production plant is in the progress followed by the internal wiring and decoration. It can boost the production capacity of die casting parts by 200%. The new production plant, which is originally planned to be completed in the first half of 2006, will be rescheduled and expected to commence operation in late 2006.

In order to fulfill the customer orders, the Group had installed several new die casting machines and CNC machines in the existing manufacturing site to keep deliveries on time. Management training program was implemented to develop people resources internally.

Product diversification

As a leading die caster, the Group committed 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.

Diversified clientele

The Group continued to pursue the strategy of enlarging customer base. With over 100 customers spanning across different regions of the world, the PRC remained the largest shipment delivery country, contributing 40% to the Group's turnover. During the year under review, the Group has committed to attract new well-known customers to further fortify its business development. Besides, the Group also works closely with automotive and industrial manufacturers, which can establish a solid foundation once the new production plant in Shanghai, which focuses to manufacture die casting parts with integrated services, can be commenced.

營運回顧

即使二零零五年對生產商而言極具挑戰，作為國內及國際客戶之全面垂直綜合壓鑄件生產商，本集團總營業額及溢利仍能錄得增長。為作好最佳準備，以抓緊未來市場湧現之商機，本集團亦推行多項重要業務發展，目標不單為進一步擴大其業務範疇，最為關鍵的是為抓緊未來龐大市場鋪路。

提升生產力

有見中國壓鑄部件之需求強勁，本集團計劃於策略位置上海興建新生產廠房，為不同製造商生產汽車及其他工業部件。新生產廠房之建造工程正如期進行，稍後將進行內部拉線及裝修工作。這可將壓鑄部件之生產力提升200%。新生產廠房原計劃於二零零六年上半年落成，現重訂時間表，預期將於二零零六年年底開始運作。

為配合客戶訂單所需，本集團已於現有生產基地裝配多台新壓鑄機械及CNC機器，以確保準時交貨。本集團並推行管理層培訓計劃，從內部培育人力資源。

產品多元化

作為壓鑄生產商之翹楚，本集團致力提供全面的產品種類，以向具領導地位之生產商提供更多選擇及種類為目標。鋁仍為最廣為應用之合金及本集團核心收入來源。

擴闊客戶層面

本集團繼續推行策略擴大客戶基礎。本集團擁有超過100名遍佈全球各地之客戶，當中付運量最高之國家仍為中國，佔本集團營業額40%。於回顧年內，本集團致力吸納新知名客戶，以進一步加強其業務發展。此外，本集團亦與汽車及工業製造商緊密合作，將可於上海新生產廠房投產後，隨即建立穩固基礎，集中生產壓鑄部件等綜合服務。

FUTURE STRATEGIES

Looking forward, it is anticipated that the market condition will remain difficult for the first half of the year and therefore the Group will continue to implement stringent cost controls.

The Group expects the demand for automotive parts die casting services will continue to grow in the upcoming years. To capture this opportunity, the Group is constructing new two-phase production facilities with the strategic location in Shanghai. Back up by the heavy tonnage machines, new production facilities will not only to provide larger die casting parts, but also provide quick response to the customers. The Group expects that Phase I of the production facilities will be in operation and providing an additional 3,500 tons of productivity during the first half of 2007. United Metal Products (Shanghai) Co. Ltd. ("United Shanghai"), a wholly foreign owned enterprise in the PRC and wholly-owned subsidiary of the Company, will not only operate the production facilities but also carry out export sales as well as domestic sales in the PRC of the facilities' products. Besides, the Group will provide comprehensive training to all staffs, with a view to develop an effective workforce, which is fundamental to the growth of United Metals.

In the long term, the PRC is expected to be one of the key die casting markets with promising outlook. Capitalizing on its geographical advantage, together with our strategic move, 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.

EMPLOYEES AND REMUNERATION POLICIES

As at 31st December, 2005, the Group employed approximately 2,280 full-time employees (At 31st December, 2004: 2,100) of whom 20 were based in Hong Kong (At 31st December, 2004: 20), 2,260 were based in the Group's factories in Dongguan, PRC (At 31st December, 2004: 2,080). Total staff cost incurred during the year amounted to approximately HK\$47,617,000 (2004: HK\$43,331,000).

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 schemes, 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.

未來策略

展望未來，預期上半年市況仍然艱鉅，因此，本集團將繼續推行嚴謹成本控制。

本集團預期汽車部件壓鑄服務之需求將於未來數年繼續增長。為抓緊此機會，本集團正於策略位置上海分兩期興建新生產廠房。在重型噸位機器之配合下，新生產廠房將不僅提供較大型壓鑄部件，並將可快速回應客戶之需求。本集團預期第一期生產廠房將投入生產及於二零零七年上半年提供額外3,500噸生產力。屬中國全外資企業之本公司全資附屬公司科鑄金屬制品(上海)有限公司(「科鑄上海」)除運作該生產設施外，並負責該設施產品之出口及內銷。此外，本集團將向全體員工提供全面培訓，建立有效率之員工隊伍，對科鑄之增長實為重要。

長遠而言，預期中國將為主要壓鑄市場之一，前景秀麗。憑藉其地區優勢，加上所採取策略，本集團已為未來業務增長作好充份準備。本集團將繼續鞏固其業務基礎，並將加快其對準汽車業及於中國設有生產基地之國際工業公司兩個指定市場範疇之發展步伐。

僱員及薪酬政策

於二零零五年十二月三十一日，本集團僱用約2,280名全職員工(於二零零四年十二月三十一日：2,100名)，當中20名駐於香港(於二零零四年十二月三十一日：20名)，另2,260名駐於本集團在中國東莞之廠房(於二零零四年十二月三十一日：2,080名)。年內產生之員工成本總額約為港幣47,617,000元(二零零四年：港幣43,331,000元)。

本集團僱員之薪酬政策及組合乃按照員工之表現、工作經驗及行業狀況釐定。除基本薪金、退休計劃及醫療計劃外，因應本集團財務業績及個別員工之表現，合資格員工亦可獲發酌情購股權及表現花紅。為提高僱員之工作質素及管理能力的，本集團向僱員提供職位調配、內部培訓及外界培訓課程。

LIQUIDITY AND FINANCIAL RESOURCES

As at 31st December, 2005, total bank borrowings was HK\$4,700,000 (At 31st December, 2004: HK\$9,784,000), of which HK\$2,640,000 (At 31st December, 2004: HK\$5,084,000) would be due within one year and HK\$2,060,000 (At 31st December, 2004: HK\$4,700,000) would be due after one year. The bank borrowings are denominated in Hong Kong dollars and bear interest at rates calculated with reference to Hong Kong Interbank Offered Rate ("HIBOR") plus basis.

The Group had a net current assets amounting to HK\$72,050,000 (At 31st December, 2004: HK\$84,387,000) and a current liabilities of HK\$33,312,000 as at 31st December, 2005 (At 31st December, 2004: HK\$29,696,000). Stock turnover days remain steadily at 70 days as at 31st December, 2004 and 2005. Due to highest turnover in the last quarter of the year, debtors' turnover days was increased from 80 days as at 31st December, 2004 to 88 days as at 31st December, 2005.

Capital expenditures on plant, equipment, leasehold improvements and construction in progress totalled HK\$18,913,000 (2004: HK\$30,339,000) in 2005, of which HK\$3,461,000 (2004: HK\$ Nil) was related to the construction cost of the new manufacturing plant situated in Shanghai, PRC. And a prepaid lease payment of HK\$6,628,000 was paid to acquire the land use right of the new manufacturing plant in Shanghai, PRC. Furthermore, HK\$41,667,000 (At 31st December, 2004: HK\$9,978,000) was committed as at 31st December, 2005 to purchase additional property, plant and equipment, of which HK\$7,629,000 was contracted for but not provided in financial statements and HK\$34,038,000 was authorised but not contracted for.

Net cash generated from operations amounted to HK\$18,368,000. The Group's cash on hand and bank balances decreased from HK\$36,671,000 as at 31st December, 2004 to HK\$18,134,000 as at 31st December, 2005. The decrease was mainly a result of financing the new manufacturing plant construction and expansion of production facilities.

Total shareholders' funds increased from HK\$165,088,000 as at 31st December, 2004 to HK\$175,354,000 as at 31st December, 2005, as a result of HK\$10,329,000 of the current year profit being retained.

As at 31st December, 2005, the gearing ratio, in terms of total debts to total assets, maintained at 0.17 (At 31st December, 2004: 0.18).

流動資金及財務資源

於二零零五年十二月三十一日，銀行借貸合共港幣4,700,000元(於二零零四年十二月三十一日：港幣9,784,000元)，其中港幣2,640,000元(於二零零四年十二月三十一日：港幣5,084,000元)將於一年內到期，而港幣2,060,000元(於二零零四年十二月三十一日：港幣4,700,000元)將於一年後到期。銀行借貸以港幣列值，按參考香港銀行同業拆息加指定息率計息。

於二零零五年十二月三十一日，本集團流動資產淨值為港幣72,050,000元(於二零零四年十二月三十一日：港幣84,387,000元)，流動負債為港幣33,312,000元(於二零零四年十二月三十一日：港幣29,696,000元)。於二零零四年及二零零五年十二月三十一日，存貨週轉期維持於70天穩定水平。由於年內最後一季之營業額最高，應收賬款收款期亦由二零零四年十二月三十一日之80天增至二零零五年十二月三十一日之88天。

二零零五年之廠房、機器設備、租賃物業裝修與在建工程之資本開支合共港幣18,913,000元(二零零四年：港幣30,339,000元)，當中港幣3,461,000元(二零零四年：港幣零元)與位於中國上海之新生產廠房之興建成本有關。另已支付港幣6,628,000元之預付租賃款項以購入中國上海新生產廠房之土地使用權。此外，於二零零五年十二月三十一日，增購物業、廠房及機器設備之承擔為港幣41,667,000元(於二零零四年十二月三十一日：港幣9,978,000元)，當中港幣7,629,000元為已訂約但未於財務報表撥備，而港幣34,038,000元則為已認可但未訂約之資本承擔。

經營業務所得現金淨額為港幣18,368,000元。本集團之手頭現金及銀行結餘由二零零四年十二月三十一日之港幣36,671,000元減至二零零五年十二月三十一日港幣18,134,000元，主要由於就興建新生產廠房及擴充生產設施所致。

由於本年度溢利港幣10,329,000元予以保留為儲備，股東資金總額由二零零四年十二月三十一日之港幣165,088,000元增至二零零五年十二月三十一日之港幣175,354,000元。

於二零零五年十二月三十一日，資產負債比率(按負債總額相對資產總值計算)維持於0.17(於二零零四年十二月三十一日：0.18)。

ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

There was no material acquisitions and disposals of subsidiaries and associated companies for the year ended 31st December, 2005.

EXPOSURE TO FOREIGN EXCHANGE RISK

The Group's income and expenditure of raw materials and manufacturing cost are mainly denominated in USD, HKD and RMB. Fluctuations of the exchange rates of RMB against foreign currencies could affect the operating costs of the Group. Currencies other than RMB were relatively stable during the year, the Group did not expose to significant foreign exchange risk. The Group currently does not have a foreign currency hedging policy. However, management will continue to monitor foreign exchange exposure and will take prudence measures to minimise the currency translation risk. The Group will consider hedging significant foreign currency exposure should the need arise.

CAPITAL STRUCTURE

There has been no material significant change in the capital structure of the Group since 31st December, 2004.

CHARGE ON ASSETS

There was no charge on the Group's assets for the year ended 31st December, 2005 (2004: Nil).

CONTINGENT LIABILITIES

There was no material contingent liabilities as at 31st December, 2005.

POST BALANCE SHEET EVENT

On 20th February, 2006, United Shanghai entered into four construction agreements at an aggregate amount of approximately HK\$34,038,000 with four different contractors for the construction of a new factory and production premises in the PRC. The construction agreements will be funded by bank borrowings and advances from a company incorporated in Hong Kong which is ultimately owned by the Company's executive director, Mr. Thomas Lau, Luen-hung. Details of such are set out in the Company's announcement dated 20th February, 2006.

FINAL DIVIDEND

The directors do not recommend the payment of a final dividend for the year ended 31st December, 2005 (2004: Nil).

收購及出售附屬公司及聯營公司

截至二零零五年十二月三十一日止年度，本集團並無任何重大收購或出售附屬公司及聯營公司。

外匯風險承擔

本集團收入與原材料開支及製造成本主要以美元、港幣及人民幣列值。人民幣兌外幣匯率波動對本集團經營成本可以構成影響。人民幣以外之貨幣於年內相對穩定，本集團並無面對重大外匯風險。本集團現時並無外幣對沖政策。然而，管理層將繼續監察外匯風險，並採取審慎措施減低匯兌風險。本集團認為於必要時考慮就重大外幣風險進行對沖安排。

資本結構

本集團之資本結構自二零零四年十二月三十一日以來並無重大變動。

資產抵押

截至二零零五年十二月三十一日止年度，本集團並無抵押任何資產（二零零四年：無）。

或然負債

於二零零五年十二月三十一日，並無任何重大或然負債。

結算日後事項

於二零零六年二月二十日，科鑄上海就於中國興建新廠房及生產物業與四名不同承建商訂立合共約港幣34,038,000元之四份建築協議。該等建築協議將以銀行借貸及一家於香港註冊成立且由本公司執行董事劉鑾鴻先生最終擁有之公司提供墊款撥付。詳情載於本公司日期為二零零六年二月二十日之公佈。

末期股息

董事不建議就截至二零零五年十二月三十一日止年度派發末期股息（二零零四年：無）。