

UNITED
UNITED METALS HOLDINGS LIMITED
科鑄技術集團有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2302)

**INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS
ENDED 30TH JUNE, 2007**

HIGHLIGHTS

- Revenue amounted to HK\$124.5million, representing 10.4% increase
- Profit for the period surged by 8.5% to HK\$6.8 million
- Earnings per share increased 8.7% to HK cents 3.11

The Board of Directors (the “Board”) of United Metals Holdings Limited (the “Company” or “United Metals”) is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30th June, 2007 (the “period”), together with comparative figures for the corresponding period, as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

		Six months ended 30th June,	
		2007	2006
	<i>Notes</i>	HK\$'000	HK\$'000
		(unaudited)	(unaudited)
Revenue	3	124,528	112,836
Cost of sales		<u>(107,324)</u>	<u>(96,493)</u>
Gross profit		17,204	16,343
Other income		444	543
Selling and distribution expenses		(3,936)	(3,628)
Administrative expenses		(5,594)	(6,144)
Finance costs		(904)	(272)
Other expenses		<u>(72)</u>	<u>(272)</u>
Profit before taxation		7,142	6,570
Income tax expense	4	<u>(302)</u>	<u>(267)</u>
Profit for the period	5	<u>6,840</u>	<u>6,303</u>
Interim dividend	6	<u>-</u>	<u>-</u>
Earnings per share – basic	7	<u>3.11cents</u>	<u>2.86 cents</u>

* For identification purpose only.

CONDENSED CONSOLIDATED BALANCE SHEET

	At 30th June, 2007 <i>HK\$'000</i> (unaudited)	At 31st December, 2006 <i>HK\$'000</i> (audited)
Non-current assets		
Property, plant and equipment	113,261	111,932
Prepaid lease payments	6,219	6,285
Available-for-sale investments	1,557	1,438
Deposits paid for acquisition of property, plant and equipment	3,888	6,738
	<u>124,925</u>	<u>126,393</u>
Current assets		
Inventories	49,815	41,328
Trade and other receivables and prepayments	61,620	57,404
Prepaid lease payments	132	133
Bank balances and cash	20,138	31,348
	<u>131,705</u>	<u>130,213</u>
Current liabilities		
Trade and other payables and accruals	35,107	30,680
Taxation payable	584	390
Unsecured bank loans – due within one year	11,673	14,000
	<u>47,364</u>	<u>45,070</u>
Net current assets	<u>84,341</u>	<u>85,143</u>
Total assets less current liabilities	<u>209,266</u>	<u>211,536</u>
Non-current liabilities		
Unsecured bank loans – due after one year	8,401	17,466
Deferred tax liabilities	938	983
	<u>9,339</u>	<u>18,449</u>
Net assets	<u>199,927</u>	<u>193,087</u>
Capital and reserves		
Share capital	2,200	2,200
Reserves	197,727	190,887
Equity attributable to equity holders of the parent	<u>199,927</u>	<u>193,087</u>

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

1. Basis of preparation

The unaudited condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and with Hong Kong Accounting Standard (the “HKAS”) 34 Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

2. Principal accounting policies

The unaudited condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values.

The accounting policies used in the unaudited condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31st December, 2006 except as described below.

In the current interim period, the Group has applied, for the first time, the following new standards, amendments and interpretations (“new HKFRSs”) issued by HKICPA, which are effective for the Group’s financial year beginning on 1st January, 2007. The adoption of the new HKFRSs had no material effect on how the result for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

HKAS 1 (Amendment)	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC) - INT 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies
HK(IFRIC) - INT 8	Scope of HKFRS 2
HK(IFRIC) - INT 9	Reassessment of Embedded Derivatives
HK(IFRIC) - INT 10	Interim Financial Reporting and Impairment

The Group has not early applied the following new standards, amendments and interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the adoption of these new HKFRSs, in future period will have no material impact on the result and the financial position of the Group.

HKFRS 8	Operating Segments ¹
HK(IFRIC) - INT 11	HKFRS 2: Group and Treasury Share Transactions ²
HK(IFRIC) - INT 12	Service Concession Arrangements ³

¹ Effective for annual periods beginning on or after 1st January, 2009.

² Effective for annual periods beginning on or after 1st March, 2007.

³ Effective for annual periods beginning on or after 1st January, 2008.

3. Revenue and segmental information

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

Business segments

The Group's revenue and contribution to profit before taxation, analysed by business segments (primary segments) are as follows:

	Revenue		Segment Results	
	Six months ended 30th June,		Six months ended 30th June,	
	2007	2006	2007	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Aluminum parts	111,665	101,222	7,737	6,506
Zinc parts	11,794	7,594	693	422
Magnesium parts	615	3,628	55	289
Others	454	392	25	15
	<u>124,528</u>	<u>112,836</u>	<u>8,510</u>	<u>7,232</u>
Income from available-for-sale investments			15	15
Income / (Expenses) from investments held for trading			101	(33)
Interest income			119	106
Finance costs			(904)	(272)
Unallocated corporate expenses			(699)	(478)
Profit before taxation			7,142	6,570
Income tax expenses			(302)	(267)
Profit for the period			<u>6,840</u>	<u>6,303</u>

Geographical segments

The group's revenue and contribution to profit before taxation, analysed by geographical markets are as follows:-

	Revenue		Segment Results	
	Six months ended 30th June,		Six months ended 30th June,	
	2007	2006	2007	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
The People's Republic of China (the "PRC") including Hong Kong	43,260	41,199	2,961	2,605
North America	36,355	30,497	2,455	1,896
Europe	39,341	29,710	2,708	1,951
South East Asia	5,572	11,430	386	780
	<u>124,528</u>	<u>112,836</u>	<u>8,510</u>	<u>7,232</u>
Income from available-for-sale investments			15	15
Income / (Expenses) from investments held for trading			101	(33)
Interest income			119	106
Finance costs			(904)	(272)
Unallocated corporate expenses			(699)	(478)
Profit before taxation			7,142	6,570
Income tax expense			(302)	(267)
Profit for the period			<u>6,840</u>	<u>6,303</u>

4. Income tax expense

	Six months ended 30th June,	
	2007	2006
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Current tax		
Hong Kong	154	154
Other Jurisdictions	193	342
Deferred tax	(45)	(229)
	<u>302</u>	<u>267</u>

Hong Kong Profits Tax is calculated at 17.5% (2006: 17.5%) of the estimated assessable profit for the six months ended 30th June, 2007.

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

Pursuant to the relevant laws and regulations in the PRC, Dongguan United Metal Products Co., Ltd. 東莞鏗利五金製品有限公司 (“Dongguan United”), United Metal Products (Shanghai) Co., Ltd. 科鑄金屬製品(上海)有限公司 (“United Shanghai”) and United Castings (Dongguan) Co., Ltd. 東莞科鑄金屬製品有限公司 (“United Castings”) are entitled to exemption from the PRC enterprise income tax for two years commencing from their first profit-making year of operation and thereafter, they are entitled to 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, tax relief expired in the year of 2003 and the tax rate in the year of 2004 and thereafter is 24%.

United Castings’ first profit-making year is the year of 2006. Accordingly, tax relief will expire in the year of 2010 and the tax rate thereafter is 24%. No provision for taxation has been made for United Castings.

No provision for taxation has been made for United Shanghai as the company had no assessable profit for the six months ended 30th June, 2007.

5. Profit for the period

	Six months ended 30th June,	
	2007	2006
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Profit for the period has been arrived at after charging / (crediting):		
Depreciation	7,842	6,921
Gain on disposal of investments held for trading	(85)	(17)
Dividend income from unlisted available-for-sale investment	(15)	(15)
(Gain) / Loss on investments at fair value through profit & loss	(16)	50
Loss on disposal of property, plant and equipment	-	199
	<u>-</u>	<u>199</u>

6. Interim Dividend

The Board does not recommend the payment of an interim dividend for the six months ended 30th, June 2007 (six months ended 30th June, 2006: Nil).

7. Earnings per share

The calculation of the basic earnings per share attributable to the ordinary equity holders of the parent is based on the following data:

	Six months ended 30th June,	
	2007	2006
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Profit for the period	<u>6,840</u>	<u>6,303</u>
Number of shares in issue for the purpose of basic earnings per share	<u>220,000,000</u>	<u>220,000,000</u>

No diluted earnings per share has been presented for the six months ended 30th June 2005 and 2006 as there was no potential dilutive ordinary shares outstanding for the period.

MANAGEMENT DISCUSSION AND ANALYSIS

United Metals is the leading vertically-integrated die caster of the global market and an indispensable die casting partner of domestic and international manufacturers in the PRC.

MARKET OVERVIEW

For the six months ended 30th June, 2007, global die casting market continued to maintain steady growth. Internationally, the metal parts industry witnessed intense competition. On the domestic front, the two-pronged effect of strong economic growth and production bases of the metal parts industry shifting to the PRC resulted in robust growth in terms of the demand of die casting products. It is expected that the trend will continue in the upcoming few years.

BUSINESS REVIEW

For the period under review, turnover increased healthily by 10.4% to HK\$124,528,000 as compared to the corresponding period of the previous year. This gain was mainly attributable to a significant increase in the production of value-added products. Net profit increased by 8.5% to HK\$6,840,000. This increase was in line with the increases in turnover. The gross profit margin for the six months ended 30th June, 2007 was 13.8% (The first half of 2006: 14.5%) as a result of the price increase of the raw materials. Nevertheless, the Group continued to adopt stringent cost controls while implementing high levels of quality control, resulting in maintaining the same level of the administrative costs.

OPERATION REVIEW

As a globally renowned and fully vertically integrated, PRC-based die caster for both domestic and overseas customers, United Metals undertook a number of initiatives during the period under review. These initiatives will greatly empower the Group in its efforts to not only fully capture the opportunities arising from the ever-increasing worldwide demand for die casting products but also further expand the business scope of United Metals as well.

Enhanced production capacity

For the six months ended 30th June, 2007, the Group's productivity stood at an average of 343 tons per month (in terms of raw material weight). Five additional computerized die casting machine units and ten more computerized numeric control units were added to United Metals' production facilities so as to further enhance production capacity during the period under review. In addition, a state-of-the-art auto-spray die release system was introduced to the die casting machine units of the Group. Finally, TS16949, an integral part of United Metals' automotive quality system, was certified by SGS, an external auditor. This powerful tool controls product quality during processing and is strongly recognized for providing customer confidence with regard to the same.

Sales volumes of different metal-based products

Aluminium-based products continued to be the core profit contributor of the Group during the period under review, accounting for approximately 89.7% of the total sales volume. They were followed by zinc-based and magnesium-based products, which accounted for approximately 9.5% and 0.5% respectively of the total sales volume.

Diversified clientele

With over 70 clients at present, the customer base of the Group spans numerous regions around the world. In this regard, the European and American markets accounted for 31.6% and 29.2% respectively of the Group's total sales. In addition, United Metals is now involved in the full production of ABS braking system components, which are also being assembled in the PRC, and more than a dozen variants of these are currently being exported to North America and Japan.

Increased cost effectiveness

United Metals' departments regularly undertake improvement projects that enable the diligent implementation of a variety of cost-control measures. The progress of these departments in this endeavor is monitored by the senior management, thus ensuring that the Group's cost effectiveness is maximized across the board.

FUTURE STRATEGIES

With regard to the product mix, strong automotive production levels are expected to remain as a key growth driver of United Metals. However, the Group will also focus its efforts on other manufacturer components and parts that offer the best profitability. On the clientele front, the Group has firmly cemented its leading market position in the PRC and is in the midst of executing detailed plans that will empower United Metals in its efforts to achieve equal success in other parts of the world. Finally, with respect to further enhancing the production capacity of the Group, United Metals expects to complete the

remaining construction work on its Shanghai production plant soon while quickly resolving any contractor disputes that may arise.

With the PRC expected to maintain its robust economic growth unabated in the coming years, United Metals will continue to make prudent maneuvers that take full advantage of its roles as the leading vertically-integrated die caster of the global market and an indispensable die casting partner of domestic and international manufacturers in the PRC.

HUMAN RESOURCES MANAGEMENT

As at 30th June, 2007, the Group employed approximately 2,490 (at 31st December, 2006: 2,349) full-time employees. The Group's remuneration package is determined with reference to the experience and qualifications of the individual's performance. The Group also ensures that all employees are provided with adequate training and continued professional opportunities according to their needs.

LIQUIDITY AND FINANCIAL RESOURCES

The Group recorded a net cash outflow of approximately HK\$11,210,000 during the first six months ended 30th June, 2007, resulting in cash-on-hand and bank balances of approximately HK\$20,138,000 as at the balance sheet date. The decrease was mainly a result of the repayment of bank loans.

Stock turnover days amounted to 77 days, compared with a yearly average of about 70 days for the previous year. Debtors' turnover days increased slightly from 78 days as at 31st December, 2006 to 80 days as at 30th June, 2007, reflecting the longer credit terms that were extended to several significant long-term customers who were either well-established or publicly listed local companies, or internationally renowned industrial companies.

The Group's financial position remained healthy. In respect of its gearing position, which is represented by the ratio of total debts to total assets, the ratio stood at 0.22 (at 31st December, 2006: 0.25).

The working capital of the Group was generally financed by internally generated cash flows from its operation and existing banking facilities. As at 30th June, 2007, the Group's cash-on-hand and bank balances amounted to approximately HK\$20,138,000 (at 31st December, 2006: HK\$31,348,000) and bank loans amounted to approximately HK\$20,074,000 (at 31st December, 2006: HK\$31,466,000), of which HK\$11,673,000 was due within one year (at 31st December, 2006: HK\$14,000,000). The Group's net current assets and current liabilities amounted to HK\$84,341,000 (at 31st December, 2006: HK\$85,143,000) and HK\$47,364,000 (at 31st December, 2006: HK\$45,070,000) respectively as at 30th June, 2007.

Total shareholders' funds increased from HK\$193,087,000 as at 31st December, 2006 to HK\$199,927,000 as at 30th June, 2007, as a result of HK\$6,840,000 of the current period profit being retained.

ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

There were no material acquisitions and disposals of subsidiaries and associated companies for the six months ended 30th June, 2007.

EXPOSURE TO FOREIGN EXCHANGE RISK

The Group's income and expenditure of raw materials, manufacturing cost and borrowings 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 period, 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 measure to minimize the currency translation risk. The Group will consider hedging significant foreign currency exposure should the need arise.

CAPITAL STRUCTURE

There has been no significant change in the capital structure of the Group since 31st December, 2006.

CHARGE ON ASSETS

There was no charge on the Group's assets during the six months ended 30th June, 2007 (at 31st December, 2006: Nil).

CONTINGENT LIABILITIES

The Company has given guarantee to banks in respect of general facilities granted to its subsidiaries. The extent of such facilities utilized by the subsidiaries as at 30th June, 2007 amounted to approximately HK\$20,074,000 (at 31st December, 2006: HK\$31,466,000).

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

During the six months ended 30th June, 2007, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the code provisions laid down in the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") throughout the six months ended 30th June, 2007.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard set out in Appendix 10 Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") of the Listing Rules. Having made specific enquiry of all directors, all directors confirmed that they have complied with the required standard set out in the Model Code and the code of conduct regarding securities transactions by directors adopted by the Company.

AUDIT COMMITTEE

An audit committee has been established by the Company for the purpose of reviewing and providing supervision on the financial reporting process and internal control of the Group. The audit committee comprises three independent non-executive directors and one non-executive director. The present members are Mr. Lee Tho Siem, Mr. Wang Jianguo, Dr. Loke Yu alias Loke Hoi Lam and Mr. Wong Wing Sing. The Group's interim reports for the six months ended 30th June, 2007 as well as the accounting principles and practices have been reviewed by the audit committee.

REMUNERATION COMMITTEE

In accordance with the requirements of the CG Code, a remuneration committee has been established by the Company to consider the remuneration of directors of the Company. The remuneration committee comprises two independent non-executive directors namely Mr. Lee Tho Siem and Mr. Wang Jianguo and one executive director namely Mr. Kong Cheuk Luen, Trevor who chairs the remuneration committee.

PUBLICATION OF INTERIM RESULTS ON THE WEBSITE OF THE STOCK EXCHANGE OF HONG KONG LIMITED

This announcement will be published on the website of the Stock Exchange.

An interim report for the six months ended 30th June, 2007 containing all the information required by Appendix 16 to the Listing Rules will be dispatched to shareholders and published on the website of the Stock Exchange in due course.

APPRECIATION

The directors would like to take this opportunity to thank our shareholders, the management and our staff members for their dedication and support.

On behalf of the Board
United Metals Holdings Limited
Tsang Chiu Wai
Chairman

Hong Kong, 31st August, 2007

As at the date of this announcement, the Board of Directors of the Company comprises Mr. Tsang Chiu Wai, and Mr. Kong Cheuk Luen, Trevor as executive directors; Mr. Wong Wing Sing as non-executive director; and Mr. Lee Tho Siem, Mr. Wang Jianguo, and Dr. Loke Yu alias Loke Hoi Lam as independent non-executive directors.