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)

FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31ST DECEMBER, 2005

The Board of Directors (the "directors") of United Metals Holdings Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "Group" or "United Metals") for the year ended 31st December, 2005, as follows:

CONSOLIDATED INCOME STATEMENT

		Year ended 31st December,	
		2005	2004
	Notes	***HK$'000***	*HK$'000*
Revenue	*4*	**186,621**	154,584
Cost of sales		**(158,105)**	(128,899)
Gross profit		**28,516**	25,685
Other income	*5*	**698**	1,828
Selling and distribution expenses		**(5,573)**	(4,999)
Administrative expenses		**(12,624)**	(12,451)
Other expenses		**(182)**	(501)
Interest on bank loans wholly repayable within five years		**(285)**	(191)
Profit before taxation		**10,550**	9,371
Income tax expense	*6*	**(221)**	(957)
Profit for the year	*7*	**10,329**	8,414
Dividends	*8*	**–**	–
Earnings per share – basic	*9*	**4.7 cents**	3.8 cents

* *For identification only*

CONSOLIDATED BALANCE SHEET

	Notes	As at 31st December, 2005 HK$'000	2004 HK$'000
Non-current assets			
Property, plant and equipment		**89,946**	84,160
Prepaid lease payments		**6,418**	–
Goodwill		**685**	685
Available-for-sale investments		**1,386**	–
Investments in securities		**–**	1,449
Deposits paid for acquisition of property, plant and equipment		**7,867**	–
		106,302	86,294
Current assets			
Inventories		**35,668**	29,834
Trade and other receivables	*10*	**50,872**	45,349
Prepaid lease payments		**133**	–
Investments held for trading		**461**	–
Investments in securities		**–**	1,876
Taxation recoverable		**94**	353
Bank balances and cash		**18,134**	36,671
		105,362	114,083
Current liabilities			
Trade and other payables	*11*	**30,313**	22,869
Taxation payable		**359**	1,743
Unsecured bank loans – due within one year		**2,640**	5,084
		33,312	29,696
Net current assets		**72,050**	84,387
Total assets less current liabilities		**178,352**	170,681
Non-current liabilities			
Unsecured bank loans – due after one year		**2,060**	4,700
Deferred tax liabilities		**938**	893
		2,998	5,593
		175,354	165,088
Capital and reserves			
Share capital		**2,200**	2,200
Reserves		**173,154**	162,888
Equity attributable to equity holders of the parent		**175,354**	165,088

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as explained in the accounting policies set out below.

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS(s)") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and by the Hong Kong Companies Ordinance.

2. Application of HKFRSs/Changes in accounting policies

In the current year, the Group has applied, for the first time, a number of new HKFRSs, Hong Kong Accounting Standards ("HKAS(s)") and Interpretations (hereinafter collectively referred to as "new HKFRSs") issued by the HKICPA that are effective for accounting periods beginning on or after 1st January, 2005. The application of the new HKFRSs has resulted in a change in the presentation of the consolidated income statement, consolidated balance sheet and consolidated statement of changes in equity. The changes in presentation have been applied retrospectively. The adoption of the new HKFRSs has had no material effect on how the results for the current or prior accounting years are prepared and presented. Accordingly, no prior year adjustment has been required. The adoption of the new HKFRSs has resulted in changes to the Group's accounting policies in the following areas :

Business combinations

In the current year, the Group has applied HKFRS 3 "Business Combinations" which is effective for business combinations for which the agreement date is on or after 1st January, 2005 and for existing goodwill as at 1st January, 2005. The principal effects of the application of HKFRS 3 and the transitional provisions thereof to the Group are summarised below:

Goodwill

In previous years, goodwill arising on acquisitions was capitalised and amortised over its estimated useful life. The Group has applied the relevant transitional provisions in HKFRS 3. With respect to goodwill previously capitalised on the balance sheet, the Group on 1st January, 2005 eliminated the carrying amount of the related accumulated amortisation of HK$732,000 with a corresponding decrease in the cost of goodwill. The Group has discontinued amortising such goodwill from 1st January, 2005 onwards and such goodwill will be tested for impairment at least annually. Goodwill arising on acquisitions after 1st January, 2005 is measured at cost less accumulated impairment losses (if any) after initial recognition. As a result of this change in accounting policy, no amortisation of goodwill has been charged in the current year. Comparative figures for 2004 have not been restated (see note 3 for the financial impact).

Financial instruments

In the current year, the Group has applied HKAS 32 "Financial Instruments: Disclosure and Presentation" and HKAS 39 "Financial Instruments: Recognition and Measurement". HKAS 32 requires restrospective application. HKAS 39, which is effective for annual periods beginning on or after 1st January, 2005, generally does not permit the recognition, derecognition or measurement of financial assets and liabilities on a retrospective basis. The application of HKAS 32 has had no material impact on how financial instruments of the Group are presented for current and prior accounting periods. The principal effects resulting from the implementation of HKAS 39 are summarised below:

Classification and measurement of financial assets and financial liabilities

The Group has applied the relevant transitional provisions in HKAS 39 with respect to the classification and measurement of financial assets and financial liabilities that are within the scope of HKAS 39.

Prior to 31st December, 2004, the Group classified and measured its investments in equity securities in accordance with the alternative treatment of Statement of Standard Accounting Practice 24 "Accounting for Investments in Securities" issued by the HKICPA ("SSAP 24"). Under SSAP 24, investments in equity securities are classified as "trading securities" or "non-trading securities" as appropriate. Both "trading securities" and "non-trading securities" are measured at fair value. Unrealised gains or losses of "trading securities" are reported in the profit or loss for the period in which gains or losses arise. Unrealised gains or losses of "non-trading securities" are reported in equity until the securities are sold or determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the net profit or loss for that period. From 1st January, 2005 onwards, the Group has classified and measured its investments in equity securities in accordance with HKAS 39. Under HKAS 39, financial assets are classified as "financial assets at fair value through profit or loss", "available-for-sale financial assets" or "loans and receivables". "Financial assets at fair value through profit or loss" and "available-for-sale financial assets" are carried at fair value, with changes in fair values recognised in profit or loss and equity, respectively. "Loans and receivables" are measured at amortised cost using the effective interest method after initial recognition.

On 1st January, 2005, the Group classified and measured its investments in equity securities in accordance with the transitional provisions of HKAS 39. Upon adoption of HKAS 39, "non-trading securities" reported under SSAP 24 with a carrying amount of HK$1,449,000 at 1st January, 2005 were classified as "available-for-sale investments", the cumulative unrealised gains or losses previously reported in equity at 1st January, 2005 continue to be held in equity. On subsequent disposal of the investments, the unrealised gains or losses remaining in equity will be transferred to the profit or loss. "Trading securities" reported under SSAP 24 with a carrying amount of HK$1,876,000 at 1st January, 2005 were classified as "investments held for trading". Accordingly, no adjustment to accumulated profits at 1st January, 2005 was required (see note 3 for the financial impact).

Financial assets and financial liabilities other than debt and equity securities

From 1st January, 2005 onwards, the Group has classified and measured its financial assets and financial liabilities other than debt and equity securities (which were previously outside the scope of SSAP 24) in accordance with the requirements of HKAS 39. As mentioned above, financial assets under HKAS 39 are classified as "financial assets at fair value through profit or loss", "available-for-sale financial assets" or "loans and receivables". Financial liabilities are generally classified as "financial liabilities at fair value through profit or loss" or "other financial liabilities". Financial liabilities at fair value through profit or loss are measured at fair value, with changes in fair value being recognised in profit or loss directly. Other financial liabilities are carried at amortised cost using the effective interest method after initial recognition. The adoption of HKAS 39 has had no material effect on financial assets and financial liabilities other than debt and equity securities, and accordingly, no prior year adjustment was required.

Owner-occupied leasehold interest in land
In the current year, the Group has applied HKAS 17 "Leases". Under HKAS 17, the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification, unless the lease payments cannot be allocated reliably between the land and buildings elements, in which case, the entire lease is generally treated as a finance lease. To the extent that the allocation of the lease payments between the land and buildings elements can be made reliably, the leasehold interests in land are reclassified to prepaid lease payments under operating leases, which are carried at cost and amortised over the lease term on a straight-line basis. The adoption of HKAS 17 has had no material effect on the Group's financial position as the Group's leasehold interests in land were acquired in current year, and accordingly, no prior year adjustment was required.

3. Summary of the effects of the changes in accounting policies
The effect of changes in accounting policies described in note 2 above on the results for the year is a decrease in goodwill amortisation expense of approximately HK$283,000 (2004: Nil).

The effect of the application of the new HKFRSs as at 1st January, 2005 are summarised below:

	As at 31st December, 2004 *HK$'000*	Effect of HKAS 39 *HK$'000*	As at 1st January, 2005 *HK$'000* (restated)
Balance sheet items			
Available-for-sale investments	–	1,449	1,449
Investments in securities	3,325	(3,325)	–
Investments held for trading	–	1,876	1,876
Total effect on assets and liabilities	3,325	–	3,325

The Group has not early applied the following new standards, interpretations or amendments that have been issued but are not yet effective. The directors of the Company anticipate that the application of these new standards, interpretations or amendments will have no material impact on the financial statements of the Group.

HKAS 1 (Amendment)	Capital Disclosures[1]
HKAS 19 (Amendment)	Actuarial Gains and Losses, Group Plans and Disclosures[2]
HKAS 21 (Amendment)	Net Investment in a Foreign Operation[2]
HKAS 39 (Amendment)	Cash Flow Hedge Accounting of Forecast Intragroup Transactions[2]
HKAS 39 (Amendment)	The Fair Value Option[2]
HKAS 39 & HKFRS 4 (Amendments)	Financial Guarantee Contracts[2]
HKFRS 6	Exploration for and Evaluation of Mineral Resources[2]
HKFRS 7	Financial Instruments: Disclosures[1]
HK(IFRIC)-Int 4	Determining whether an Arrangement Contains a Lease[2]
HK(IFRIC)-Int 5	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds[2]
HK(IFRIC)-Int 6	Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment[3]
HK(IFRIC)-Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies[4]

1 *Effective for annual periods beginning on or after 1st January, 2007.*
2 *Effective for annual periods beginning on or after 1st January, 2006.*
3 *Effective for annual periods beginning on or after 1st December, 2005.*
4 *Effective for annual periods beginning on or after 1st March, 2006.*

4. Revenue and segmental information

Revenue represents the net amounts received and receivable for goods sold, net of returns, to outsiders during the year.

Business segments

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

	Revenue		**Segment Results**	
	Year ended 31st December,		**Year ended 31st December,**	
	2005	2004	**2005**	2004
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Aluminium parts	**171,863**	136,249	**10,679**	8,075
Zinc parts	**10,825**	12,205	**705**	807
Magnesium parts	**3,600**	5,754	**149**	264
Others	**333**	376	**4**	7
	186,621	154,584	**11,537**	9,153
Income from available-for-sale investments			**30**	–
Income from investments held for trading			**139**	–
Income from investments in securities			**–**	513
Interest income			**104**	40
Unallocated corporate expenses			**(975)**	(144)
Interest on bank loans wholly repayable within five years			**(285)**	(191)
Profit before taxation			**10,550**	9,371

Geographical segments

The Group's revenue analysed by geographical markets are as follows:

	Year ended 31st December,	
	2005	2004
	HK$'000	*HK$'000*
The People's Republic of China (the "PRC") including Hong Kong	**75,200**	85,851
North America	**44,693**	26,545
Europe	**54,684**	30,176
Others	**12,044**	12,012
	186,621	154,584

5. Other income

	Year ended 31st December,	
	2005	2004
	HK$'000	*HK$'000*
Included in other income are the following:		
Dividend income from unlisted available-for-sale investments	**30**	15
Dividend income from listed investments held for trading	**46**	37
Exchange gain	**–**	203
Gain on disposal of investments held for trading	**26**	–
Gain on disposal of unlisted equity securities	**–**	84
Gain on disposal of property, plant and equipment	**–**	182
Interest income	**104**	40
Gains on change in fair value of listed investments held for trading/listed trading securities	**67**	377

6. **Income tax expense**

	Year ended 31st December, 2005 HK$'000	2004 HK$'000
Current tax:		
Hong Kong Profits Tax		
Current year	**120**	241
Underprovision in previous years	**–**	1
	120	242
Taxation in other jurisdictions		
Current year	**359**	656
Overprovision in previous years	**(303)**	–
	56	656
	176	898
Deferred tax:		
Current year	**45**	59
Taxation attributable to the Company and its subsidiaries	**221**	957

Hong Kong Profits Tax is calculated at 17.5% (2004: 17.5%) of the estimated assessable profit for the year.

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. 東莞鏗利五金制品有限公司 ("Dongguan United"), United Metal Products (Shanghai) Co., Ltd. 科鑄金屬制品(上海)有限公司 ("United Shanghai") and United Castings (Dongguan) Co., Ltd. 東莞科鑄金屬制品有限公司 ("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%.

Pursuant to the relevant laws and regulations in the PRC, Dongguan United is entitled to a 50% reduction in tax rate in the year of 2005 as over 70% of Dongguan United's turnover is for export purpose. Accordingly, the tax rate for the year of 2005 is 12%.

No provision for taxation has been made for United Shanghai and United Castings as these two companies had no assessable profit for the year.

7. **Profit for the year**

	Year ended 31st December, 2005 HK$'000	2004 HK$'000
Profit for the year has been arrived at after charging:		
Directors' remuneration	**5,665**	6,089
Other staff costs	**41,952**	37,242
Total staff costs	**47,617**	43,331
Amortisation of prepaid lease payments	**77**	–
Less: Amount capitalised in construction in progress	**(77)**	–
	–	–
Amortisation of goodwill (included in other expenses)	**–**	283
Auditors' remuneration	**673**	491
Cost of inventories recognised as expense	**158,105**	128,899
Depreciation	**13,016**	11,141
Exchange loss	**915**	–
Loss on disposal of property, plant and equipment	**4**	–
Operating lease charges on land and buildings	**2,928**	2,875
Retirement benefit schemes contributions	**748**	592

8. **Dividends**

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

9. 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:

	Year ended 31st December, 2005 HK$'000	2004 HK$'000
Profit for the year	**10,329**	8,414
Number of shares in issue for the purpose of basic earnings per share	**220,000,000**	220,000,000

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

10. Trade and other receivables

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

	As at 31st December, 2005 HK$'000	2004 HK$'000
Trade receivables		
Not yet due	**24,023**	18,125
Overdue 0 to 30 days	**13,111**	11,301
Overdue 31 to 60 days	**6,261**	2,977
Overdue 61 to 90 days	**479**	630
Overdue 91 to 120 days	**336**	342
Overdue more than 120 days	**634**	367
	44,844	33,742
Other receivables		
Deposits paid	**3,502**	10,043
Prepayments	**226**	262
Others	**2,300**	1,302
	6,028	11,607
	50,872	45,349

The fair value of the Group's trade and other receivables at the balance sheet date approximated to the corresponding carrying amount.

11. Trade and other payables

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

	As at 31st December, 2005 HK$'000	2004 HK$'000
Trade payables		
Not yet due	**4,513**	5,092
Overdue 0 to 30 days	**1,809**	1,397
Overdue 31 to 60 days	**87**	13
Overdue 61 to 90 days	**1**	–
Overdue 91 to 120 days	**32**	–
Overdue more than 120 days	**153**	17
	6,595	6,519
Other payables		
Accruals	**17,395**	13,218
Deposits received	**6,323**	3,132
	23,718	16,350
	30,313	22,869

The fair value of the Group's trade and other payables at the balance sheet date approximated to the corresponding carrying amount.

FINAL DIVIDEND

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

MANAGEMENT DISCUSSION AND ANALYSIS

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 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, 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 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.

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.

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 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.

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).

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.

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

During the year ended 31st December, 2005, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

PRELIMINARY ANNOUNCEMENT OF THE RESULTS AGREED BY AUDITORS

The figures in respect of the Group's consolidated balance sheet, consolidated income statement and the related notes thereto for the year ended 31st December, 2005 as set out in this preliminary announcement have been agreed by the Group's auditors, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on this preliminary announcement.

CODE OF CORPORATE GOVERNANCE PRACTICES

The Company has complied with the code provisions laid down in the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 to the Listing Rules throughout the year ended 31st December, 2005, except that (i) for code provision E.1.2, the Chairman of the Audit Committee, Mr. Lee Tho Siem, was unable to attend the Company's annual general meeting on 8th June, 2005 due to other commitment, and (ii) for code provision A.4.1, in respect of service term of non-executive directors where non-executive directors are required to be appointed for a specific term and be subject to re-election.

Under the provision A.4.1 of the Code, non-executive directors should be appointed for a specific term, subject to re-election. The current non-executive director and independent non-executive directors of the Company are not appointed for a specific term. However, all non-executive directors of the Company are subject to retirement by rotation and re-election in accordance with the Company's Articles of Association. As such, the Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the Code. The Company will also amend its Articles of Association to specify that every director shall be subject to retirement by rotation at least once every three years in due course.

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 the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Listing Rules. Having made specific enquiry of all the directors, all the 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.

CONFIRMATION OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the independent non-executive directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive directors are independent.

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 annual report for the year ended 31st December, 2005 as well as the accounting principles and practices have been reviewed by the audit committee.

REMUNERATION COMMITTEE

In accordance with the requirements of the Code, a remuneration committee has been established by the Company to consider the remuneration of the 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. Mr. Kong Cheuk Luen, Trevor is the chairman of the remuneration committee.

DISCLOSURE OF INFORMATION ON THE STOCK EXCHANGE'S WEBSITE

The electronic version of this announcement will be published on the website of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (http://www.hkex.com.hk). An annual report for the year ended 31st December, 2005 containing all the information required by Appendix 16 to the Listing Rules will be despatched 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
Thomas Lau, Luen-hung
Chairman

Hong Kong, 13th April, 2006

Note:

As at the date of this announcement, the Board of Directors of the Company comprises Mr. Thomas Lau, Luen-hung, 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.

"Please also refer to the published version of this announcement in The Standard."