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, 2006

The board of directors (the "Directors") 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, 2006 (the "period"), together with comparative figures for the corresponding period, as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

		Six months ended 30th June,	
		2006	2005
		HK$'000	*HK$'000*
	Notes	**(unaudited)**	(unaudited)
Revenue	*3*	**112,836**	82,008
Cost of sales		**(96,493)**	(68,158)
Gross profit		**16,343**	13,850
Other income		**543**	314
Selling and distribution expenses		**(3,628)**	(2,636)
Administrative expenses		**(6,144)**	(5,053)
Other expenses		**(272)**	(162)
Finance costs	*4*	**(272)**	(130)
Profit before taxation	*5*	**6,570**	6,183
Income tax expense	*6*	**(267)**	(143)
Profit for the period		**6,303**	6,040
Interim dividend	*7*	**–**	–
Earnings per share – basic	*8*	**2.86 cents**	2.75 cents

* *For identification only*

CONDENSED CONSOLIDATED BALANCE SHEET

	At 30th June, 2006 *HK$'000* (unaudited)	At 31st December, 2005 *HK$'000* (audited)
Non-current assets		
Property, plant and equipment	**99,737**	89,946
Prepaid lease payments	**6,351**	6,418
Goodwill	**685**	685
Available-for-sale investments	**1,379**	1,386
Deposits paid for acquisition of property, plant and equipment	**7,536**	7,867
	115,688	106,302
Current assets		
Inventories	**40,168**	35,668
Trade and other receivables	**58,012**	50,872
Prepaid lease payments	**133**	133
Investments held for trading	**93**	461
Taxation recoverable	**–**	94
Bank balances and cash	**40,280**	18,134
	138,686	105,362
Current liabilities		
Trade and other payables	**34,777**	30,313
Taxation payable	**453**	359
Unsecured bank loans – due within one year	**2,883**	2,640
	38,113	33,312
Net current assets	**100,573**	72,050
Total assets less current liabilities	**216,261**	178,352
Non-current liabilities		
Loan from shareholder	**14,000**	–
Unsecured bank loans – due after one year	**19,903**	2,060
Deferred tax liabilities	**709**	938
	34,612	2,998
	181,649	175,354
Capital and reserves		
Share capital	**2,200**	2,200
Reserves	**179,449**	173,154
Equity attributable to equity holders of the Company	**181,649**	175,354

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

1. Basis of preparation

The unaudited condensed financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities (the "Listing Rules") 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 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 financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31st December, 2005 except as described below.

In the current interim period, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards, amendments and interpretations (new "HKFRSs") issued by the HKICPA, which are either effective for accounting periods beginning on or after 1st December, 2005 or 1st January, 2006. The adoption of these new HKFRSs had no material effect on how the results for the current and prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

HKAS 19 (Amendment)	Actuarial gains and losses, group plans and disclosures
HKAS 21 (Amendment)	The effects of change in foreign exchange rate – net investment in a foreign operation
HKAS 39 (Amendment)	Cash flow hedge accounting of forecast intragroup transactions
HKAS 39 (Amendment)	The fair value option
HKAS 39 & HKFRS 4 (Amendment)	Financial guarantee contracts
HKFRS 6	Exploration for and evaluation of mineral resources
HK(IFRIC)-INT 4	Determining whether an arrangement contains a lease
HK(IFRIC)-INT 5	Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds
HK(IFRIC)-INT 6	Liabilities arising from participating in a specific market-value electrical and electronic equipment

The Group has not early applied the following new standards, amendments or 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 financial position of the Group.

HKAS 1 (Amendment)	Capital disclosures[1]
HKFRS 7	Financial instruments: Disclosures[1]
HK(IFRIC)-INT 7	Applying the restatement approach under HKAS 29 Financial reporting in hyperinflationary economies[2]
HK(IFRIC)-INT 8	Scope of HKFRS 2[3]
HK(IFRIC)-INT 9	Reassessment of embedded derivatives[4]

[1] *Effective for annual periods beginning on or after 1st January, 2007.*
[2] *Effective for annual periods beginning on or after 1st March, 2006.*
[3] *Effective for annual periods beginning on or after 1st May, 2006.*
[4] *Effective for annual periods beginning on or after 1st June, 2006.*

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 Six months ended 30th June,		Segment Results Six months ended 30th June,	
	2006	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Aluminum parts	**101,222**	74,905	**6,506**	6,092
Zinc parts	**7,594**	5,156	**422**	435
Magnesium parts	**3,628**	1,872	**289**	88
Others	**392**	75	**15**	4
	112,836	82,008	**7,232**	6,619
Income from available-for-sale investment			**15**	15
Expenses from investments held for trading			**(33)**	(42)
Interest income			**106**	37
Finance costs			**(272)**	(130)
Unallocated corporate expenses			**(478)**	(316)
Profit before taxation			**6,570**	6,183
Income tax expense			**(267)**	(143)
Profit for the period			**6,303**	6,040

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,**	
	2006	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
The People's Republic of China (the "PRC") including Hong Kong	**41,199**	33,920	**2,605**	2,851
North America	**30,497**	21,180	**1,896**	1,614
Europe	**29,710**	22,715	**1,951**	1,851
South East Asia	**11,430**	4,193	**780**	303
	112,836	82,008	**7,232**	6,619
Income from available-for-sale investment			**15**	15
Expenses from investments held for trading			**(33)**	(42)
Interest income			**106**	37
Finance costs			**(272)**	(130)
Unallocated corporate expenses			**(478)**	(316)
Profit before taxation			**6,570**	6,183
Income tax expense			**(267)**	(143)
Profit for the period			**6,303**	6,040

4. Finance costs

	Six months ended 30th June,	
	2006	2005
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Interest on bank loans repayment within five years	**116**	130
Interest to shareholder's loans repayment	**156**	–
	272	130

5. Profit before taxation

	Six months ended 30th June,	
	2006	2005
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Profit before taxation has been arrived at after charging/(crediting):		
Depreciation	**6,921**	6,323
Gain on disposal of investments held for trading	**(17)**	–
Dividend income from unlisted available-for-sale investment	**(15)**	(15)
Loss on investments at fair value through profit or loss	**50**	42
Loss on disposal of property, plant and equipment	**199**	–

6. Income tax expense

	Six months ended 30th June,	
	2006	2005
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Current tax		
Hong Kong	**154**	107
Other Jurisdictions	**342**	409
Deferred tax	**(229)**	(373)
	267	143

Hong Kong Profits Tax is calculated at 17.5% (2005: 17.5%) of the estimated assessable profit for the six months ended 30th June, 2006.

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. ("Dongguan United"), United Metal Products (Shanghai) Co., Ltd. ("United Shanghai") and United Castings (Dongguan) Co., Ltd. ("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 12.0%.

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 thereafter is 24.0%.

No provision for taxation has been made for United Shanghai and United Castings as these two companies had no assessable profit for the six months ended 30th June, 2006.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realized.

7. Interim dividend

The Directors do not recommend the payment of an interim dividend for the six months ended 30th June, 2006 (six months ended 30th June, 2005: Nil).

8. Earnings per share

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

	Six months ended 30th June,	
	2006	2005
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Earnings for the purpose of basic earnings per share	**6,303**	6,040
Weighted average number of ordinary shares for the purpose of basic earnings per share	**220,000,000**	220,000,000

No diluted earnings per share has been presented for the six months ended 30th June, 2005 and 2006 as there were no potential dilutive ordinary shares in existence for the periods.

MANAGEMENT DISCUSSION AND ANALYSIS

Market overview

The first half of 2006 was a period of robust expansion to the die-casting industry. World economic growth remained buoyant, particularly in North America and PRC, and underlying consumption of end-use metal products remained strong. According to the National Statistics Bureau, PRC's GDP increased by 10.9% in the first half of 2006, and it is anticipated that the growth will sustain the decade. It is widely expected that this growth will drive global demand of die-casting products.

The usage of aluminium in die-casting has become more and more popular, owing to its lightness, lower price and durable characteristics. It has become the top choice metal for transportation, beverage cans and other packaging, and building constructions. According to the *London Metal Exchange*, PRC's aluminium production has maintained a year-on-year growth of over 15% since the first half of 2005, and the rising trend is expected to continue.

Intense competition in the international market has led to cuts in price and margins, making manufacturers to seek for die-casters and die-casting products of the most competitive price. Die-casters are shifting their production bases to the PRC, further intensifying the robust growth in demand. In order to survive in such market conditions, die-casters around the world have to apply various business strategies to cope with different challenges, and die-casting services providers with fully vertically-integrated production facilities will benefit from the vast business opportunities.

In the first half of 2006, although the PRC's government is taking steps to cool its economy and reduce investment in aluminum and luxury housing, investment is still required for infrastructure and transportation, which leads to bring minimal impact to the die casting.

Business review

For the six months ended 30th June, 2006, the Group recorded an increase in turnover by 37.6% over the same period last year to approximately HK$112,836,000. Gross profit increased by 18.0% to HK$16,343,000 when compared with the same period last year. Although the raw material cost surged during the period under review, the Group adopted stringent cost and quality control policy with an aim to maintain the profit margin.

Net profit for the period increased by 4.4% to HK$6,303,000 when compared with the same period last year. The extent of growth was relatively lower than that of turnover, which was due to the upsurge of labour cost and the rise of the minimum wages in the PRC. In addition, the appreciation of the Renminbi ("RMB") also put pressure on manufacturing costs. To maximize the business growth over the long term, the Group applied the strategy of providing quality products of premium quality at competitive prices, which lowered the profit margin of the Group, yet maintaining a high sales volume. The gross profit margin of the Group maintained at a healthy level of 14.5%, which is comparable to the 16.9% in the same period in 2005.

Operational review

Product capacity

The Group currently maintains its productivity at approximately 305 tons of raw material per month as a result of the implementation of high sales volume strategy. During the period under review, the Group added several numbers of Computerized Numerical Control ("CNC") machines in order to enhance its production capacity and improve its operational efficiency.

As the demand for automotive parts die-casting services continues to rise, and the Group has captured this opportunity in the construction of production facilities strategically located in Shanghai. Phase 1 of the facilities has planned to commence operations in the first half of 2007, as the Group spent more time on construction and the purchase of advanced machineries. The Group expects it will provide a steady income source in the long run. The heavy tonnage machines of the facilities have also provided the ability to produce larger die-cast parts, widening the variety of the products provided by the Group.

Sales volume of various metal products

In the first half of 2006, aluminium parts continues to be the core profit contributor of the Group, accounting for approximately 89.7% of the Group's total sales volume. Other major metallic products include zinc and magnesium, which accounted for approximately 6.7% and 3.2% of the Group's total sales volume respectively.

Established, diversified and extendable client base

The Group offers leading manufacturers of various industrial sectors around the world with choice and diversity, aiming to satisfy their ever-changing needs. For the six months ended 30th June, 2006, automotives and related products accounted for 43.8% of turnover, followed by industrial household appliances which accounted for 29.3%. Communication and electronic appliances accounted for 17.2%, and other products made up to 9.7%.

The Group's client base mainly consists of overseas manufacturers spanning across different parts of the world, of which clients from Europe and the United States make up 26.3% and 27.0% respectively of the Group's entire customer base.

Under such competitive market environments, United Metals has been able to maintain close relationship with its clients. The Group currently has over 70 clients and 2 major source of income: mould design and production and production of die casting parts. During the period, mould design and production increased by 33.8%, accounting for approximately 7.0% of the Group's turnover. Orders for existing die-cast products also increased by 38.0% in the period under review.

Future strategies

Looking ahead, the PRC market is expected to maintain robust growth and demand. According to the *London Metal Exchange*, world aluminium consumption will exceed 30 million tonnes by the end of 2006, with PRC consuming up to 20% of the world's primary aluminium. Capitalizing on the geographical advantage of its production facilities strategically located in Shanghai, the Group has fully prepared itself for future business development. While die-cast products for automotive production are anticipated to be the key growth driver of the industry, the Group will also put focus on alternative products such as manufacturer components and parts.

With the new production base in Shanghai which will commence operation in the first half of 2007, the Group is in the progress of negotiation with potential customers and the result was satisfactory.

The Group will further strengthen its vast and diverse client base. Having solidified its market position in the PRC die-cast industry, the Group is well prepared to achieve equal success in other parts of the world. The Group is dedicated to become the vertically-integrated die caster of the global market, and be an essential and indispensable die casting partner of both domestic and international manufacturers in the PRC.

Human resources management

As at 30th June, 2006, the Group employed approximately 2,350 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

As at 30th June, 2006, total bank borrowings was HK$22,786,000 (at 31st December, 2005: HK$4,700,000), of which HK$2,883,000 (at 31st December, 2005: HK$2,640,000) would be due within one year and HK$19,903,000 (at 31st December, 2005: HK$2,060,000) would be due after one year. The bank borrowings are denominated in Hong Kong dollars ("HKD") and United States dollars ("USD") and bear interest at rates calculated with reference to Hong Kong Interbank Offered Rate ("HIBOR") plus basis and London Interbank Offered Rate ("LIBOR") plus basis.

The Group had a net current assets amounting to HK$100,573,000 (at 31st December, 2005: HK$72,050,000) and a current liabilities of HK$38,113,000 as at 30th June, 2006 (at 31st December, 2005: HK$33,312,000). Stock turnover days decrease to 72 days as at 30th June, 2006 from 77 days as at 31st December, 2005. Debtors' turnover days was decreased from 88 days as at 31st December, 2005 to 86 days as at 30th June, 2006.

Capital expenditures on plant and equipment and leasehold improvements totaled HK$16,969,000 (2005: HK$18,913,000) in 2006, of which HK$11,597,000 (2005: HK$ 3,461,000) was related to the construction cost of the new manufacturing plant situated in Shanghai, PRC. Furthermore, HK$39,935,000 (at 31st December, 2005: HK$41,667,000) was committed as at 30th June, 2006 to purchase additional property, plant and equipment.

Net cash generated from operations amounted to HK$6,390,000. The Group's cash on hand and bank balances increased from HK$18,134,000 as at 31st December, 2005 to HK$40,280,000 as at 30th June, 2006. The increase was mainly a result of the raising of new bank loan and shareholder's loan.

Total shareholders' funds increased from HK$175,354,000 as at 31st December, 2005 to HK$181,649,000 as at 30th June, 2006, as a result of HK$6,303,000 of the current period profit being retained.

As at 30th June, 2006, the gearing ratio, in terms of total debts to total assets, increased to 0.29 (at 31st December, 2005: 0.17).

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, 2006.

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, 2005.

Charge on assets
There was no charge on the Group's assets during the six months ended 30th June, 2006 (at 31st December, 2005: 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, 2006 amounted to approximately HK$22,786,000 (at 31st December, 2005: HK$4,700,000).

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

During the six months ended 30th June, 2006, 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 Listing Rules throughout the six months ended 30th June, 2006, except that (i) for code provision E.1.2., the Chairman, Mr. Thomas Lau, Luen-hung, was unable to attend the Company's annual general meeting on 12th June, 2006 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 CG 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 CG 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 year 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 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, 2006 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. Mr. Kong Cheuk Luen, Trevor is the chairman of 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 2006 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
Thomas Lau, Luen-hung
Chairman

Hong Kong, 1st September, 2006

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."