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, 2005

The Board of Directors (the "directors") of United Metals Holdings Limited (the "Company") is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (the "Group" or "United Metals") for the six months ended 30th June, 2005, together with comparative figures for the previous period, as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	Six months ended 30th June, 2005 HK$'000 (unaudited)	2004 HK$'000 (unaudited)
Turnover	3	**82,008**	67,327
Cost of sales		**(68,158)**	(53,627)
Gross profit		**13,850**	13,700
Other operating income		**314**	239
Selling and distribution expenses		**(2,636)**	(2,209)
Administrative expenses		**(5,053)**	(5,765)
Other operating expenses		**(162)**	(215)
Profit from operations	4	**6,313**	5,750
Finance cost	5	**(130)**	(92)
Profit before taxation		**6,183**	5,658
Taxation	6	**(143)**	(174)
Profit for the period		**6,040**	5,484
Interim dividend	7	**–**	–
Earnings per share – basic	8	**2.75 cents**	2.49 cents

CONDENSED CONSOLIDATED BALANCE SHEET

	At 30th June, 2005 HK$'000 (unaudited)	At 31st December, 2004 HK$'000 (audited)
Non-current assets		
Property, plant and equipment	**81,296**	84,160
Goodwill	**685**	685
Investments in securities	**–**	1,449
Available-for-sale investments	**1,401**	–
	83,382	86,294
Current assets		
Inventories	**41,740**	29,834
Trade and other receivables	**56,216**	45,349
Investments in securities	**–**	1,876
Investments at fair value through profit or loss	**1,805**	–
Taxation recoverable	**246**	353
Bank balances and cash	**23,492**	36,671
	123,499	114,083
Current liabilities		
Trade and other payables	**25,998**	22,869
Taxation payable	**2,152**	1,743
Bank loans – due within one year	**3,751**	5,084
	31,901	29,696
Net current assets	**91,598**	84,387
Total assets less current liabilities	**174,980**	170,681
Non-current liabilities		
Bank loans – due after one year	**3,380**	4,700
Deferred tax liabilities	**520**	893
	3,900	5,593
	171,080	165,088
Capital and reserves		
Share capital	**2,200**	2,200
Reserves	**168,880**	162,888
	171,080	165,088

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 or revalued amounts, as appropriate.

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, 2004 except as described below.

In the current period, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards ("HKFRSs"), HKASs 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 income statement, balance sheet and the statement of changes in equity. The adoption of the new HKFRSs has resulted in changes to the Group's accounting policies in the following areas that have an effect on how the results for the current or prior accounting periods are prepared and presented:

Business combinations

In the current period, 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. The principal effect of the application of HKFRS 3 to the Group is summarized below.

* *For identification only*

Goodwill

In previous periods, goodwill arising on acquisitions was capitalized and amortized over its estimated useful life. The Group has applied the relevant transitional provisions in HKFRS 3. With respect to goodwill previously capitalized on the balance sheet, the Group has discontinued amortizing such goodwill from 1st January, 2005 onwards and 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, the carrying amount of accumulated goodwill amortization of approximately HK$732,000 has been eliminated against the carrying amount of goodwill as at 1st January, 2005. No amortization of goodwill has been charged in the current period and the Group's profit for the six months ended 30th June, 2005 has been increased by HK$142,000 accordingly. Comparative figures for 2004 have not been restated.

Financial instruments

In the current period, the Group has applied HKAS 39 "Financial Instruments: Recognition and Measurement". HKAS 39, which is effective for annual periods beginning on or after 1st January, 2005, generally does not permit to recognize, derecognize or measure financial assets and liabilities on a retrospective basis. The principal effect resulting from the implementation of HKAS 39 is summarized below.

Classification and measurement of financial assets and financial liabilities

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

By 31st December, 2004, the Group classified and measured its debt and equity securities in accordance with the alternative treatment of Statement of Standard Accounting Practice 24 "Accounting for Investments in Securities" ("SSAP 24"). Under SSAP 24, investments in debt or equity securities are classified as "trading securities", "non-trading securities" or "held-to-maturity investments" as appropriate. Both "trading securities" and "non-trading securities" are measured at fair value. Unrealized gains or losses of "trading securities" are reported in the profit or loss for the period in which gains or losses arise. Unrealized 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 recognized in equity is included in the net profit or loss for that period. From 1st January, 2005 onwards, the Group classifies and measures its debt and 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", "loans and receivables", or "held-to-maturity financial assets". "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 recognized in profit or loss and equity respectively. "Loans and receivables" and "held-to-maturity financial assets" are measured at amortized cost using the effective interest method.

On 1st January, 2005, the Group classified and measured its debt and equity securities in accordance with the requirements of HKAS 39. Upon adoption of the HKAS 39, for "non-trading securities" reported under SSAP 24 with the carrying amount of HK$1,449,000 at 1st January, 2005 have been classified as "available-for-sale financial assets", the cumulative unrealized gains or losses previously reported in equity at 1st January, 2005 continues to be held in equity. On subsequent disposal of the investment, the unrealized gain or loss remaining in equity will be transferred to the profit or loss. For "trading securities" reported under SSAP 24 with the carrying amount of HK$1,876,000 at 1st January, 2005 have been classified as "financial assets at fair value through profit or loss". Accordingly, no adjustment to accumulated profit at 1st January, 2005 has been required.

Potential impact of new standards not yet adopted

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

HKAS 19 (Amendment)	Actuarial Gains and Losses, Group Plans and Disclosures
HKAS 39 (Amendment)	Cash Flow Hedge Accounting for Forecast Intragroup Transactions
HKAS 39 (Amendment)	The Fair Value Option
HKFRS 6	Exploration for and Evaluation of Mineral Resources
HKFRS-Int 4	Determining whether an Arrangement contains a Lease
HKFRS-Int 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds

3. **Turnover and segmental information**

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

Business segments

The Group's turnover and contribution to profit from operations, analysed by business segments (primary segments) are as follows:

	Turnover Six months ended 30th June, 2005 HK$'000 (unaudited)	2004 HK$'000 (unaudited)	Segment Results Six months ended 30th June, 2005 HK$'000 (unaudited)	2004 HK$'000 (unaudited)
Aluminium parts	**74,905**	60,468	**6,092**	5,487
Zinc parts	**5,156**	4,634	**435**	477
Magnesium parts	**1,872**	1,939	**88**	195
Others	**75**	286	**4**	7
	82,008	67,327	**6,619**	6,166
(Expenses)/Income from investments at fair value through profit or loss			**(27)**	66
Interest income			**37**	25
Unallocated corporate expenses			**(316)**	(507)
Profit from operations			**6,313**	5,750

Geographical segments

The Group's turnover and contribution to profit from operations, analysed by geographical markets are as follows:

	Turnover Six months ended 30th June, 2005 HK$'000 (unaudited)	2004 HK$'000 (unaudited)	Segment Results Six months ended 30th June, 2005 HK$'000 (unaudited)	2004 HK$'000 (unaudited)
The People's Republic of China (the "PRC") including Hong Kong	**33,920**	33,638	**2,851**	3,093
North America	**21,180**	18,030	**1,614**	1,622
Europe	**22,715**	11,808	**1,851**	1,085
Others	**4,193**	3,851	**303**	366
	82,008	67,327	**6,619**	6,166
(Expenses)/Income from investments at fair value through profit or loss			**(27)**	66
Interest income			**37**	25
Unallocated corporate expenses			**(316)**	(507)
Profit from operations			**6,313**	5,750

4. **Profit from operations**

	Six months ended 30th June, 2005 HK$'000 (unaudited)	2004 HK$'000 (unaudited)
Profit from operations has been arrived at after charging/(crediting):		
Depreciation	**6,323**	5,085
Gain on disposal of available-for-sale investments	**–**	(84)
Loss on investments at fair value through profit or loss	**71**	43

5. **Finance cost**

	Six months ended 30th June, 2005 HK$'000 (unaudited)	2004 HK$'000 (unaudited)
Interest on bank loans repayable within five years	**130**	92

6. **Taxation**

	Six months ended 30th June, 2005 HK$'000 (unaudited)	2004 HK$'000 (unaudited)
Current tax:		
Hong Kong	**107**	144
Other jurisdictions	**409**	322
Deferred tax	**(373)**	(292)
	143	174

Hong Kong Profits Tax is calculated at 17.5% (2004: 17.5%) of the estimated assessable profit for the six months ended 30th June, 2005.

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 thereafter is 24%.

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, 2005.

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, 2005 (six months ended 30th June, 2004: 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, 2005 HK$'000 (unaudited)	2004 HK$'000 (unaudited)
Earnings for the purpose of basic earnings per share	**6,040**	5,484
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, 2004 and 2005 as there were no potential dilutive ordinary shares in existence for the periods.

INTERIM DIVIDEND

The directors do not recommend the payment of an interim dividend for the six months ended 30th June, 2005 (six months ended 30th June, 2004: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Industry outlook

As the PRC's economy continues to flourish, the domestic demand for high quality products will also increase in line with the rising living standards. The economic prosperity has attracted many well known appliance manufacturers to move into the PRC. Under the WTO agreement, more products can be freely imported into the PRC which also helps in technology upgrades which is a must to upkeep for local manufacturers. Together with technology upgrades, manufacturers must also dedicate more resources towards building infrastructure, which is a constant ongoing process to handle the fast growing demand in the PRC's economy and worldwide. As such, global demand for quality die casting parts will continue to rise and die-casting services providers with fully vertically-integrated production facilities will be benefited from these vast business opportunities.

The automotive industry continues to be one of the industries which has a high demand for many die casting parts. According to the information provided by the PRC Automotive Association in 2005, the PRC's total automobiles production expects to reach 5.6 million units this year, which is 12% up as compared to 2004 and would sustain the growth rate for the next three years. On the whole, automotive manufacturers demand more aluminium die casting parts to reduce the weight of cars, reduce energy consumption and to make environmentally friendly cars. According to the forecast by European Aluminum Association, the amount of aluminium used in each car is set to increase from about 100 kg in 2000 to 150 kg in 2005, which is an opportunity for the experienced die-casters. Capturing the expanding potentials in both local and global die casting markets, United Metals is well prepared to speed up its development and fortify its business growth.

Business review

For the six months ended 30th June, 2005, the Group achieved an increase in turnover of 22% to reach HK$82,008,000, whereas the profit for the period surged 10% to HK$6,040,000 as compared to the corresponding period last year. The growth is mainly attributable to increase in orders from existing automotive and industrial household appliances customers. However, due to increase of manufacturing cost, particularly the price of energy cost and metal alloys required for the production of the Group's various products, overall gross profit margin was slightly decreased to 17% from 20% for the corresponding period last year.

Facing the challenges brought about by growth of manufacturing cost, the Group has adjusted the pricing strategy and, effectively minimized the adverse impact to the operating results of the Group. Despite the shortage of electricity supply in the PRC, the Group has purchased additional set of generator during the period under review and now been able to operate with its own back up supply. Production has returned to better scheduling as compared with the first half of 2004.

Meanwhile the Group has continued to implement certain policies including stringent cost control measures, adjustment of procurement strategy measures and production planning methods with the aim to lower the overall manufacturing costs, in particular to offset any negative impact of escalating energy costs and metal alloys.

Operational review

Through the expansion of production facilities, the adoption of new and advanced technologies and the provision of value-added die casting services, United Metals is fully equipped to pave the way for future growth.

Enhanced production capacity

To fulfill the rising demands from global and domestic automotive and industrial household appliances customers, the Group continued to enhance its production capacity and improve its operational efficiency by deploying more Computerized Numerical Control ("CNC") machinery during the period under review. As a result, the Group has increased 15% of the production volume and indicated a utilization rate of over 90% in the first half of 2005.

In order to further expand its production capacity, the Group's new production plant in Shanghai International Automobile City Spare Parts Assembly Industrial Zone (East Area) is currently undergoing construction and expected to be completed in the second quarter of 2006. Upon the completion of the new production plant, the Group's production capacity will increase over 100% and deliver more sophisticated assembled components to its customers that allow the Group to maintain its market-leading position.

Sales volume of various metal products

In the first half of 2005, aluminium remained the most widely applicable metal alloy and the major income contribution for the Group, representing 91% of the Group's total sales volume, zinc and magnesium parts representing 6% and 2% respectively of the Group's total sales volume.

Established and expanded a diverse client base

United Metals strived to offer choice and diversity for leading manufacturers of various industrial sectors to satisfy their ever-changing needs. For the six months ended 30th June, 2005, automotives and related products accounted for 41%, followed by 32% from industrial household appliances, 16% from communication and electronic products and 11% from others.

The Group has maintained a wide range of customers spanning world wide, of which Europe and the United States made up 28% and 26% respectively, of the Group's entire customer base for the six months ended 30th June, 2005.

Additionally, the Group has maintained close relationship with customers under the competitive environment. At present, the Group has over 80 existing clients and 2 major income sources: die design and production, which accounts for approximately 7% of turnover, and production of die casting parts.

Future strategies

Looking ahead, with the PRC's continuing growth and robust demand, the Group foresees to extend greater efforts towards expanding its production capacity to fulfill the gap in demand. While strong automotive production levels will remain as the key growth driver for the Group and the industry, other products such as manufacturing components and parts will be another main production focus for the Group.

In the coming quarters the Group will further work on expanding its already vast and diverse client base through solidifying its position in the PRC market. United Metals is well positioned to achieve equal success in other world markets to becoming a leader in the global die casting industry and an essential and indispensable die casting partner both domestically and internationally.

Human resources management

As at 30th June, 2005, the Group employed approximately 2,150 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 from operating activities amounted to HK$7,019,000 for the six months ended 30th June, 2005. The Group's cash on hand and bank balances decreased from HK$36,671,000 as at 31st December, 2004 to HK$23,492,000 as at 30th June, 2005. The decrease was mainly a result of financing the new plant construction and expansion of production facilities.

As at 30th June, 2005, total bank borrowings were HK$7,131,000 (at 31st December, 2004: HK$9,784,000), of which HK$3,751,000 (at 31st December, 2004: HK$5,084,000) would be due within one year and HK$3,380,000 (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 of HK$91,598,000 (at 31st December, 2004: HK$84,387,000) and a current liabilities of HK$31,901,000 as at 30th June, 2005 (at 31st December, 2004: HK$29,696,000). Stock turnover days increased from 70 days at 31st December, 2004 to 93 days at 30th June, 2005, resulted from the surge in price of metal alloys and purchase of more raw materials at end of June 2005 to support the expected increase in production volume in second half of 2005. Debtors' turnover days was 75 days as at 30th June, 2005 versus 80 days as at 31st December, 2004.

As at 30th June, 2005, the gearing ratio, in terms of total debts to total assets, stood at 0.17 (at 31st December, 2004: 0.18).

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, 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. Since those currencies were relatively stable during the six months ended 30th June, 2005, the Group did not expose to significant foreign exchange risk and no hedging arrangement had been employed. The recent revaluation of RMB by the People's Bank of China on 21st July, 2005 has resulted in RMB appreciating against USD by approximately 2% and hence slightly affects the operating costs of the Group. The directors will continue to monitor the foreign exchange exposure and will take prudence measures to minimize the currency translation risk.

Capital structure

There has been no 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 during the six months ended 30th June, 2005 (at 31st December, 2004: Nil).

Contingent liabilities

The Company has given guarantees to a bank in respect of general facilities granted to its subsidiaries. The extent of such facilities utilized by the subsidiaries at 30th June, 2005 amounted to approximately HK$7,131,000 (at 31st December, 2004: HK$9,784,000).

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

During the six months ended 30th June, 2005, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

CODE OF CORPORATE GOVERNANCE PRACTICES

In the opinion of directors, the Company has complied with the Code Provisions in Code of Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Listing Rules during the six months ended 30th June, 2005 except that all of the non-executive director and independent non-executive directors were not appointed for a specific term but 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.

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 that 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 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.

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 Messrs. Lee Tho Siem, Wang Jianguo, Loke Yu alias Loke Hoi Lam and Wong Wing Sing. The Group's interim reports for the six months ended 30th June, 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 (http://www.hkex.com.hk). An interim report for the six months ended 30th June, 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, 16th September, 2005

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 Mr. Loke Yu alias Loke Hoi Lam as independent non-executive directors.

Website: http://www.iprasia.com/listco/united_metals