

IMPORTANT

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in the Company, you should at once hand this circular to the purchaser(s) or transferee(s) or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

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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)

MAJOR TRANSACTIONS

CONSTRUCTION PROJECT

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DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions have the following meanings:

“Chak Hung”	Chak Hung Construction Decoration Company (澤鴻建造裝飾公司), a sole proprietorship established in Hong Kong which is principally engaged in the construction business;
“Company”	United Metals Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the shares of which are listed on the Stock Exchange;
“1st Construction Agreement”	the construction agreement dated 20 February 2006 entered into between UMPS and Zhejiang Construction relating to the provision of construction services subject to the terms and conditions contained therein;
“2nd Construction Agreement”	the construction agreement dated 20 February 2006 entered into between UMPS and Shanghai Construction relating to the provision of construction services subject to the terms and conditions contained therein;
“3rd Construction Agreement”	the construction agreement dated 20 February 2006 entered into between UMPS and Deson relating to the provision of construction services subject to the terms and conditions contained therein;
“4th Construction Agreement”	the construction agreement dated 20 February 2006 entered into between UMPS and Chak Hung relating to the provision of construction services subject to the terms and conditions contained therein;
“Construction Agreements”	the 1st Construction Agreement, the 2nd Construction Agreement, the 3rd Construction Agreement and the 4th Construction Agreement;
“Construction Project”	the construction project carried out by the Group at the Construction Site for the construction of the new factory and production premises;
“Construction Site”	the construction site situate at 上海國際汽車城零部件配套工業園區東部配套區 (Shanghai International Automobile City Spare Parts Assembly Industrial Zone (East Area));

DEFINITIONS

“Construction Supervisor”	上海建騰建築工程監理有限公司 (Shanghai Jian Teng Construction Engineering Supervision Company Limited*), a company incorporated under the laws of the PRC which is principally engaged in the business of construction supervision;
“Deson”	Deson Development Limited (迪臣發展有限公司), a company incorporated under the laws of Hong Kong which is principally engaged in the construction business;
“Directors”	the board of directors of the Company;
“Future Agreements”	the construction agreements to be entered into by the Group relating to the remaining construction works of the Construction Project including without limitation any supplemental agreement which may be entered into by the Group to vary or amend the terms of the Construction Agreements;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC;
“Independent Third Party(ies)”	to the best of the Directors’ knowledge, information and belief having made all reasonable enquiry, party who is/are independent from the Company and connected persons (as defined in the Listing Rules) of the Company;
“Latest Practicable Date”	14 March 2006, being the latest practicable date prior to the printing of this circular for ascertaining certain information included in this circular;
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange;
“PRC”	the People’s Republic of China;
“RMB”	Renminbi, the lawful currency of the PRC;
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);

DEFINITIONS

“Shanghai Construction”	上海寶鋼工程建設總公司 (Shanghai Baosteel Engineering Construction Corporation), a company incorporated under the laws of the PRC which is principally engaged in the construction business;
“Shareholders”	holders of the shares of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“UMPS”	科鑄金屬制品(上海)有限公司 (United Metal Products (Shanghai) Co. Ltd.), a wholly-owned subsidiary of the Company and a wholly foreign owned enterprise established under the laws of the PRC;
“Zhejiang Construction”	浙江省建工集團有限責任公司 (Zhejiang Province Jian Gong Group Company Limited*), a company incorporated under the laws of the PRC which is principally engaged in the construction business; and
“%”	per cent.

For the purpose of this circular, conversion of RMB into HK dollars is calculated at the exchange rate of HK\$1.00 to RMB1.04.

* For identification purpose only

LETTER FROM THE BOARD

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)

Executive Directors:

Mr. Thomas Lau, Luen-hung (*Chairman*)

Mr. Tsang Chiu Wai

Mr. Kong Cheuk Luen, Trevor

Non-executive Director:

Mr. Wong Wing Sing

Independent Non-executive Directors:

Mr. Lee Tho Siem

Mr. Wang Jianguo

Mr. Loke Yu alias Loke Hoi Lam

Registered Office:

P.O. Box 309GT

Ugland House

South Church Street

Grand Cayman

Cayman Islands

Head Office and Principal

Place of Business:

Units 901-903

9th Floor

Laford Centre

838 Lai Chi Kok Road

Cheung Sha Wan

Kowloon

Hong Kong

17 March 2006

To the Shareholders

Dear Sir or Madam,

MAJOR TRANSACTIONS

CONSTRUCTION PROJECT

INTRODUCTION

On 20 February 2006, the Directors announced that UMPS, a wholly-owned subsidiary of the Company, entered into the Construction Agreements with 4 different contractors, all of which are Independent Third Parties, pursuant to which UMPS has agreed to appoint them to perform certain construction works, including, among other things, construction, installation, decoration, project management and infrastructure works at the Construction Site. Total consideration for the construction works under the Construction Agreements amounts to approximately RMB35,400,000 (equivalent to approximately HK\$34,038,462).

* For identification purpose only

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The Construction Agreements form part of the Construction Project of the Group's intended establishment and operation of a new factory and production premises at the Construction Site in Shanghai. It is estimated that the total capital commitment of the whole Construction Project amounts to approximately RMB75,000,000 (equivalent to approximately HK\$72,115,385). In order to complete the Construction Project, the Group will also enter into Future Agreements for the remaining construction works at the Construction Site in the total contract sum of approximately RMB27,500,000 (equivalent to approximately HK\$26,442,308).

The Construction Agreements and the Future Agreements constitute major transactions of the Company under Chapter 14 of the Listing Rules and are therefore subject to approval of the Shareholders. Under Rule 14.44 of the Listing Rules, as no Shareholder is required to abstain from voting if the Company were to convene a general meeting, Shareholders' written approval for the Construction Agreements and the Future Agreements has been obtained from Shine Top Limited, Standard Beyond Limited and Absolute Above Limited, who are a closely allied group of the Shareholders collectively holding approximately 74.31% in nominal value of the shares of the Company in issue as at the date of the Construction Agreements giving the right to attend and vote at a general meeting of the Company (if the Company were to convene one). Accordingly, no extraordinary general meeting of the Company will be required to be convened for approving the Construction Agreements and the Future Agreements.

1ST CONSTRUCTION AGREEMENT

The principle terms of the 1st Construction Agreement are as follows:-

Date : 20 February 2006

Parties : (1) UMPS, a wholly owned subsidiary of the Company
(2) Zhejiang Construction, an Independent Third Party

Pursuant to the 1st Construction Agreement, UMPS has agreed to appoint Zhejiang Construction to perform certain construction works, including, among other things, construction, installation, and decoration works at the Construction Site. These construction works are expected to be completed within 6 months from the date of the 1st Construction Agreement.

The appointment of Zhejiang Construction was made after a public tendering process through which the Company performed an overall assessment on 9 tenders submitted. The basis to award the tender was based on a number of factors such as the experience and the quality of work of the bidders as well as the price proposed.

LETTER FROM THE BOARD

Consideration

The total consideration for the construction works including the costs of the construction materials under the 1st Construction Agreement amounts to approximately RMB9,597,917 (equivalent to approximately HK\$9,228,766), which will be satisfied in cash by stages as follows:

- (i) the first installment which is equivalent to 20% of the total consideration (in the sum of approximately RMB1,919,583 (equivalent to approximately HK\$1,845,753)) has been paid upon the signing of the 1st Construction Agreement;
- (ii) the second stage comprises a number of monthly payments of project progress fees, each installment to be paid based on the percentage of construction work completed (which will be audited by the Construction Supervisor, an Independent Third Party, having reviewed the monthly progress report submitted by Zhejiang Construction) up to 85% (including the first installment payment) of the total consideration (in the sum of approximately RMB8,158,229 (equivalent to approximately HK\$7,844,451));
- (iii) another 10% of the total consideration in the sum of approximately RMB959,792 (equivalent to approximately HK\$922,877) will be paid after the construction works under the 1st Construction Agreement are completed; and
- (iv) the remaining 5% of the total consideration in the sum of approximately RMB479,896 (equivalent to approximately HK\$461,438) will be paid by stages upon the expiry of various warranty periods as stated in the 1st Construction Agreement.

The above consideration was determined with reference to the project budget prepared by the Group in accordance with the blueprint and the building plans of the new factory and production premises at the Construction Site.

2ND CONSTRUCTION AGREEMENT

The principle terms of the 2nd Construction Agreement are as follows:-

Date : 20 February 2006

Parties : (1) UMPS, a wholly owned subsidiary of the Company
(2) Shanghai Construction, an Independent Third Party

Pursuant to the 2nd Construction Agreement, UMPS has agreed to appoint Shanghai Construction to perform certain construction works, including, among other things, construction, installation and decoration works at the Construction Site. These construction works are expected to be completed within 5 months from the date of the 2nd Construction Agreement.

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The appointment of Shanghai Construction was made after a public tendering process through which the Company performed an overall assessment on 9 tenders submitted. The basis to award the tender was based on a number of factors such as the experience and the quality of work of the bidders as well as the price proposed.

Consideration

The total consideration for the construction works including the costs of the construction materials under the 2nd Construction Agreement amounts to approximately RMB20,000,000 (equivalent to approximately HK\$19,230,769), which will be satisfied in cash by different stages as follows:

- (i) the first installment which is equivalent to 10% of the total consideration (in the sum of approximately RMB2,000,000 (equivalent to approximately HK\$1,923,077) has been paid upon the signing of the 2nd Construction Agreement;
- (ii) the second stage comprises a number of monthly payments of project progress fees, each installment to be paid based on the percentage of construction work completed (which will be audited by the Construction Supervisor, an Independent Third Party, having reviewed the monthly progress report submitted by Shanghai Construction) up to 85% (including the first installment payment) of the total consideration (in the sum of approximately RMB17,000,000 (equivalent to approximately HK\$16,346,154));
- (iii) another 10% of the total consideration in the sum of approximately RMB2,000,000 (equivalent to approximately HK\$1,923,077) will be paid after the construction works under the 2nd Construction Agreement are completed; and
- (iv) the remaining 5% of the total consideration in the sum of approximately RMB1,000,000 (equivalent to approximately HK\$961,538) will be paid by stages upon the expiry of various warranty periods as stated in the 2nd Construction Agreement.

The above consideration was determined with reference to the project budget prepared by the Group in accordance with the blueprint and the building plans of the new factory and production premises at the Construction Site.

3RD CONSTRUCTION AGREEMENT

The principle terms of the 3rd Construction Agreement are as follows:-

Date : 20 February 2006

Parties : (1) UMPS, a wholly owned subsidiary of the Company
(2) Deson, an Independent Third Party

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Pursuant to the 3rd Construction Agreement, UMPS has agreed to appoint Deson to perform certain construction works, including, among other things, construction, installation, decoration and infrastructure works at the Construction Site. These construction works are expected to be completed within 2 months from the date of the 3rd Construction Agreement.

UMPS has interviewed and obtained quotations from 3 independent contractors to perform the above construction works and Deson was selected on the basis of a number of factors such as its past experience, quality of works and the price proposed.

Consideration

The total consideration for the construction works including the costs of the construction materials under the 3rd Construction Agreement amounts to approximately RMB4,620,762 (equivalent to approximately HK\$4,443,040), which will be satisfied in cash by stages as follows:

- (i) the first installment which is equivalent to 10% of the total consideration (in the sum of approximately RMB462,076 (equivalent to approximately HK\$444,304)) has been paid upon the signing of the 3rd Construction Agreement;
- (ii) the second stage comprises a number of monthly payments of project progress fees, each installment to be paid based on the percentage of construction work completed (which will be audited by the Construction Supervisor, an Independent Third Party, having reviewed the monthly progress report submitted by Deson) up to 85% (including the first installment payment) of the total consideration (in the sum of approximately RMB3,927,648 (equivalent to approximately HK\$3,776,584));
- (iii) another 10% of the total consideration in the sum of approximately RMB462,076 (equivalent to approximately HK\$444,304) will be paid after the construction works under the 3rd Construction Agreement are completed; and
- (iv) the remaining 5% of the total consideration in the sum of approximately RMB231,038 (equivalent to approximately HK\$222,152) will be paid by stages upon the expiry of various warranty periods as stated in the 3rd Construction Agreement.

The above consideration was determined with reference to the project budget prepared by the Group in accordance with the blueprint and the building plans of the new factory and production premises at the Construction Site.

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4TH CONSTRUCTION AGREEMENT

The principle terms of the 4th Construction Agreement are as follows:-

Date : 20 February 2006

Parties : (1) UMPS, a wholly owned subsidiary of the Company
(2) Chak Hung, an Independent Third Party

Pursuant to the 4th Construction Agreement, UMPS has agreed to appoint Chak Hung to provide project management services at the Construction Site.

Chak Hung had previously provided construction services to the Group at its production premises located in Dongguan, the PRC and the Group was satisfied with its performance. Chak Hung was selected on the basis of a number of factors such as its past experience, quality of works and the price proposed.

Consideration

The total consideration under the 4th Construction Agreement amounts to approximately HK\$1,120,000, which will be satisfied in cash by stages as follows:

- (i) the first installment which is equivalent to 10% of the total consideration (in the sum of approximately HK\$112,000) has been paid upon the signing of the 4th Construction Agreement;
- (ii) the second stage comprises a number of payments of project progress fees, each installment to be paid based on the progress of construction work completed up to 85% of the total consideration (in the sum of approximately HK\$952,000); and
- (iii) the remaining 5% of the total consideration in the sum of approximately HK\$56,000 will be paid upon issue of the building ownership certificate of the buildings on the Construction Site.

The above consideration was determined with reference to the project budget prepared by the Group in accordance with the blueprint and the building plans of the new factory and production premises at the Construction Site.

FUTURE AGREEMENTS

As stated in the Company's announcement dated 12 December 2003, the Group wishes to increase its production capacity, strengthen its manufacturing operations and expand its customer base by establishing and operating a new factory and production premises in Shanghai. In December 2003, the Company entered into an agreement to acquire the land use rights to a piece of land of approximately 100mu situated at the

LETTER FROM THE BOARD

Construction Site at the consideration of RMB7,025,246 (equivalent to approximately HK\$6,755,044) for the establishment of the new factory and production premises. It is estimated that the total capital commitment of the whole Construction Project including the cost of acquisition of the said land use rights amounts to approximately RMB75,000,000 (equivalent to approximately HK\$72,115,385).

After acquisition of the said land use rights, the Group entered into certain construction agreements relating to, inter alia, project design, construction, installation, foundation and superstructure works of the new factory and production premises. The aggregate capital commitment under all these agreements amounts to approximately RMB4,929,239 (equivalent to approximately HK\$4,739,653), including such construction agreements entered into by the Group for the past 12 months amounting to approximately RMB2,800,000 (equivalent to approximately HK\$2,692,308). Together with the Construction Agreements in the total sum of approximately RMB35,400,000 (equivalent to approximately HK\$34,038,462), the total consideration under the construction agreements for the past 12 months amounts to approximately RMB38,200,000 (equivalent to approximately HK\$36,730,769).

The Company estimates that in order to complete the whole Construction Project, the Group will enter into Future Agreements with qualified contractors for the remaining construction works in accordance with the construction design of the new factory and production premises and the relevant PRC rules and regulations. All these contractors will be Independent Third Parties and be selected on the basis of their areas of expertise and experience.

According to the project budget of the Company, the total contract sum for the Future Agreements will be approximately RMB27,500,000 (equivalent to approximately HK\$26,442,308), which will comprise certain contracts relating to, inter alia, construction, installation and decoration works, installation of water, electricity and air-conditioning system, performance of environmental and fire-prevention works, interior design and decoration, project management services and other ancillary contracts necessary for the purpose of the Construction Project. The said sum of approximately RMB27,500,000 (equivalent to approximately HK\$26,442,308), determined with reference to the project budget prepared by the Group in accordance with the blueprint and the building plans of the new factory and production premises at the Construction Site, is expected to be paid by stages in cash according to the progress of the construction works. The Construction Project is expected to be completed within 8 months from the date of this circular.

The Future Agreements will be entered into by the Group on normal commercial terms, in the normal course of establishing and constructing the new factory and production premises under normal contracting procedures, be properly approved by the Directors, and be fair and reasonable so far as the Shareholders are concerned.

LETTER FROM THE BOARD

FUNDING

The Group has already secured sufficient fundings through bank borrowing and from PC-Steel Futures Limited, a company incorporated under the laws of Hong Kong whose ultimate beneficial owner is Thomas Lau, Luen-hung, a director and connected person of the Company. The funding from PC-Steel Futures Limited is on normal commercial terms where no security over the assets of the Group is granted. The above fundings will be injected into UMPS for the payment of the considerations under the Construction Agreements and the Future Agreements.

REASONS FOR THE CONSTRUCTION AGREEMENTS AND THE FUTURE AGREEMENTS

The Construction Agreements and the Future Agreements form part of the Construction Project. The Directors are of the view that the establishment and operation of the new factory and production premises is able to increase the productivity and competitiveness of the Group and to serve the customers' orders for the growth of the Group's business. It is also consistent with the Group's strategy for expansion of its business and the Group's plans and prospects.

FINANCIAL EFFECTS OF THE TRANSACTIONS ON THE GROUP

There will not be any material impact on the net assets of the Group arising from the transactions contemplated under the Construction Agreements and the Future Agreements (the "Transactions"). As the amounts incurred under the Construction Agreements and the Future Agreements will be capitalized as fixed assets of the Group and the payment of the considerations under the Construction Agreements and the Future Agreements will be financed by bank borrowings and borrowing from PC-Steel Futures Limited, a company incorporated under the laws of Hong Kong whose ultimate beneficial owner is Thomas Lau, Luen-hung, a director and connected person of the Company, the Transactions will result in an increase in the Group's fixed assets and liabilities. In addition, the Transactions will result in an increase in the Group's debt-to-equity ratio.

Since the amounts incurred under the Construction Agreements and the Future Agreements as well as the borrowing costs incurred by the Group in the course of the construction will be capitalized as the costs of the new factory, there will be no material impact on the earnings of the Group arising from the construction of the new factory alone.

FINANCIAL AND TRADING PROSPECTS OF THE GROUP

As stated in the interim report of the Company for the six months ended 30 June 2005 (the "Period"), 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 was 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.

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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.

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 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 implemented 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.

The Directors believe that the market in demand of the metal products is growing from the shifting of the manufacturing locations in United States and Europe to Asia. Particularly the automotive industries, where metals parts are vastly used, are booming in China for the next few years. With the additional capacity at the new Construction Site the Group will be able to increase business volume by two folds in next four to five years. Using the state-of-art equipment and automation technology, the profit margin can be improved by the efficiency and quality enhancement. This new manufacturing site will be operated in lean management system that can help to deliver better customer satisfaction and in return to bring more profitable business to the Group.

GENERAL

The Group is principally engaged in the business of die-casting and trading of metal products.

The Directors believe that the terms of the Construction Agreements are on normal commercial terms and are fair and reasonable and in the interests of the Group and the Shareholders as a whole. The Directors will also ensure the Future Agreements will be on normal commercial terms and be fair and reasonable and in the interests of the Group and the Shareholders as a whole. In the event that the total consideration for the Construction Agreements and the Future Agreements exceed RMB62,900,000 (equivalent to approximately HK\$60,480,769) or there are material changes to the Construction Project in the future, the Company will make further disclosures and/or seek Shareholders' approval where necessary.

The Construction Agreements and the Future Agreements constitute major transactions of the Company under Chapter 14 of the Listing Rules and are therefore subject to approval of the Shareholders. Under Rule 14.44 of the Listing Rules, as no Shareholder is required to abstain from voting if the Company were to convene a general meeting, Shareholders' written approval for the Construction Agreements and the Future

LETTER FROM THE BOARD

Agreements has been obtained from Shine Top Limited, Standard Beyond Limited and Absolute Above Limited, who are a closely allied group of the Shareholders collectively holding approximately 74.31% in nominal value of the shares of the Company in issue as at the date of the Construction Agreements giving the right to attend and vote at a general meeting of the Company (if the Company were to convene one). Accordingly, no extraordinary general meeting of the Company will be required to be convened for approving the Construction Agreements and the Future Agreements.

Your attention is drawn to the additional information set out in the Appendices to this circular.

Yours faithfully,
For and on behalf of the Board
UNITED METALS HOLDINGS LIMITED
Thomas Lau, Luen-hung
Chairman

1. INTERIM RESULTS

Set out below are the extracts of the unaudited interim results for the six months ended 30 June 2005 of the Group with comparative figures for the six months ended 30 June 2004. These interim financial statements have been reviewed by the Company's audit committee.

Condensed Consolidated Income Statement

For the six months ended 30 June 2005

	<i>Notes</i>	Six months ended 30 June	
		2005 <i>HK\$'000</i> (unaudited)	2004 <i>HK\$'000</i> (unaudited)
Turnover	3	82,008	67,327
Cost of sales		<u>(68,158)</u>	<u>(53,627)</u>
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		<u>(162)</u>	<u>(215)</u>
Profit from operations	4	6,313	5,750
Finance cost	5	<u>(130)</u>	<u>(92)</u>
Profit before taxation		6,183	5,658
Taxation	6	<u>(143)</u>	<u>(174)</u>
Profit for the period		<u><u>6,040</u></u>	<u><u>5,484</u></u>
Interim dividend	7	<u><u>–</u></u>	<u><u>–</u></u>
Earnings per share – basic (HK cents)	8	<u><u>2.75</u></u>	<u><u>2.49</u></u>

Condensed Consolidated Balance Sheet*At 30 June 2005*

		At 30 June 2005	At 31 December 2004
		<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>Notes</i>	<i>(unaudited)</i>	<i>(audited)</i>
Non-current assets			
Property, plant and equipment	9	81,296	84,160
Goodwill		685	685
Investments in securities		–	1,449
Available-for-sale investments		1,401	–
		<u>83,382</u>	<u>86,294</u>
Current assets			
Inventories		41,740	29,834
Trade and other receivables	10	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
		<u>123,499</u>	<u>114,083</u>
Current liabilities			
Trade and other payables	11	25,998	22,869
Taxation payable		2,152	1,743
Bank loans – due within one year		3,751	5,084
		<u>31,901</u>	<u>29,696</u>
Net current assets		<u>91,598</u>	<u>84,387</u>
Total assets less current liabilities		<u>174,980</u>	<u>170,681</u>
Non-current liabilities			
Bank loans – due after one year		3,380	4,700
Deferred tax liabilities	12	520	893
		<u>3,900</u>	<u>5,593</u>
		<u>171,080</u>	<u>165,088</u>
Capital and reserves			
Share capital	13	2,200	2,200
Reserves		168,880	162,888
		<u>171,080</u>	<u>165,088</u>

Condensed Consolidated Statement of Changes in Equity*For the six months ended 30 June 2005*

	Share capital <i>HK\$'000</i> <i>(Note 13)</i>	Share premium <i>HK\$'000</i>	Investments revaluation reserve <i>HK\$'000</i>	Non- distributable reserve <i>HK\$'000</i>	Merger reserve <i>HK\$'000</i>	General reserve fund <i>HK\$'000</i>	Accumulated profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2004	2,200	39,352	66	16,584	127	5,637	97,225	161,191
Loss on available-for-sale investments	-	-	(186)	-	-	-	-	(186)
Dividends paid	-	-	-	-	-	-	(4,400)	(4,400)
Profit for the period	-	-	-	-	-	-	5,484	5,484
At 30 June 2004	2,200	39,352	(120)	16,584	127	5,637	98,309	162,089
Gain on available-for-sale investments	-	-	135	-	-	-	-	135
Transfer to profit or loss on disposal of available-for-sale investments	-	-	(66)	-	-	-	-	(66)
Transfer	-	-	-	-	-	208	(208)	-
Profit for the period	-	-	-	-	-	-	2,930	2,930
At 31 December 2004	2,200	39,352	(51)	16,584	127	5,845	101,031	165,088
Loss on available-for-sale investments	-	-	(48)	-	-	-	-	(48)
Profit for the period	-	-	-	-	-	-	6,040	6,040
At 30 June 2005	<u>2,200</u>	<u>39,352</u>	<u>(99)</u>	<u>16,584</u>	<u>127</u>	<u>5,845</u>	<u>107,071</u>	<u>171,080</u>

Condensed Consolidated Cash Flow Statement*For the six months ended 30 June 2005*

	Six months ended 30 June	
	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Net cash used in operating activities	(7,019)	(1,902)
Net cash used in investing activities	(3,377)	(16,388)
Net cash used in financing activities	<u>(2,783)</u>	<u>(5,603)</u>
Net decrease in cash and cash equivalents	(13,179)	(23,893)
Cash and cash equivalents at beginning of the period	<u>36,671</u>	<u>62,124</u>
Cash and cash equivalents at end of the period	<u><u>23,492</u></u>	<u><u>38,231</u></u>
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	<u><u>23,492</u></u>	<u><u>38,231</u></u>

Notes to the Condensed Consolidated Financial Statements for the six months ended 30 June 2005

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 Listing Rules on 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 or revalued amounts, as appropriate.

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 31 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 1 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 1 January 2005. The principal effect of the application of HKFRS 3 to the Group is summarized below.

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 1 January 2005 onwards and goodwill will be tested for impairment at least annually. Goodwill arising on acquisitions after 1 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 1 January 2005. No amortization of goodwill has been charged in the current period and the Group's profit for the six months ended 30 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 1 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 31 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 1 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 1 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 1 January 2005 have been classified as "available-for-sale financial assets", the cumulative unrealized gains or losses previously reported in equity at 1 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 1 January 2005 have been classified as "financial assets at fair value through profit or loss". Accordingly, no adjustment to accumulated profit at 1 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

For management purposes, the Group's business is currently organized into four operating divisions which are the basis on which the Group reports its primary segment information.

Principal activities are as follows:

- Aluminium parts – sale of aluminium die casting parts manufactured and processed by the Group.
- Zinc parts – sale of zinc die casting parts manufactured and processed by the Group and zinc die casting parts purchased from suppliers but processed by the Group.
- Magnesium parts – sale of magnesium die casting parts manufactured and processed by the Group.
- Others – sale of screw machined brass parts and other casting purchased from suppliers but processed by the Group.

	Turnover		Segment results	
	Six months ended		Six months ended	
	30 June		30 June	
	2005	2004	2005	2004
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(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
	<u>82,008</u>	<u>67,327</u>	6,619	6,166
(Expenses)/Income from investments at fair value through profit or loss			(27)	66
Interest income			37	25
Unallocated corporate expenses			<u>(316)</u>	<u>(507)</u>
Profit from operations			<u>6,313</u>	<u>5,750</u>

Geographical Segments

The following table provides an analysis of the Group's turnover and results by geographical markets:

	Turnover		Segment results	
	Six months ended 30 June		Six months ended 30 June	
	2005	2004	2005	2004
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
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
	<u>82,008</u>	<u>67,327</u>	6,619	6,166
(Expenses)/Income from investments at fair value through profit or loss			(27)	66
Interest income			37	25
Unallocated corporate expenses			<u>(316)</u>	<u>(507)</u>
Profit from operations			<u>6,313</u>	<u>5,750</u>

4. PROFIT FROM OPERATIONS

	Six months ended 30 June	
	2005	2004
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Profit from operations has been arrived at after charging:		
Depreciation	6,323	5,085
Loss on investments at fair value through profit or loss	<u>71</u>	<u>43</u>
and after crediting:		
Dividend income from investments at fair value through profit or loss	44	25
Gain on disposal of available-for-sale investments	-	84
Interest income	<u>37</u>	<u>25</u>

5. FINANCE COST

	Six months ended 30 June	
	2005	2004
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Interest on bank loans repayable within five years	130	92
	<u>130</u>	<u>92</u>

6. TAXATION

	Six months ended 30 June	
	2005	2004
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Current tax:		
Hong Kong	107	144
Other jurisdictions	409	322
Deferred tax (<i>Note 12</i>)	(373)	(292)
	<u>143</u>	<u>174</u>

Hong Kong Profits Tax is calculated at 17.5% (2004: 17.5%) of the estimated assessable profit for the six months ended 30 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 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 30 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 Board does not recommend the payment of an interim dividend for the six months ended 30 June 2005 (six months ended 30 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 30 June	
	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Earnings for the purpose of basic earnings per share	<u>6,040</u>	<u>5,484</u>
Weighted average number of ordinary shares 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 30 June 2004 and 2005 as there were no potential dilutive ordinary shares in existence for the periods.

9. ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2005, the Group spent approximately HK\$3,330,000 (six months ended 30 June 2004: HK\$13,505,000) on additions to manufacturing plant and equipment in the PRC, in order to upgrade its manufacturing capabilities.

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:

	At	At
	30 June 2005	31 December 2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(audited)
Trade receivables:		
Not yet due	20,895	18,125
Overdue 0 to 30 days	10,387	11,301
Overdue 31 to 60 days	1,594	2,977
Overdue 61 to 90 days	590	630
Overdue 91 to 120 days	246	342
Overdue more than 120 days	149	367
	<u>33,861</u>	<u>33,742</u>
Other receivables:		
Deposits paid	20,937	10,043
Prepayments	759	262
Others	659	1,302
	<u>22,355</u>	<u>11,607</u>
	<u>56,216</u>	<u>45,349</u>

11. TRADE AND OTHER PAYABLES

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

	At 30 June 2005 <i>HK\$'000</i> (unaudited)	At 31 December 2004 <i>HK\$'000</i> (audited)
Trade payables:		
Not yet due	6,931	5,092
Overdue 0 to 30 days	1,145	1,397
Overdue 31 to 60 days	44	13
Overdue 61 to 90 days	123	–
Overdue 91 to 120 days	39	–
Overdue more than 120 days	–	17
	<u>8,282</u>	<u>6,519</u>
Other payables:		
Accruals	13,138	13,218
Deposits received	4,578	3,132
	<u>17,716</u>	<u>16,350</u>
	<u>25,998</u>	<u>22,869</u>

12. DEFERRED TAXATION

The following are the major deferred tax liabilities and assets recognized and movements thereon during the current and prior reporting periods:

	Accelerated tax depreciation <i>HK\$'000</i> (unaudited)	Tax losses <i>HK\$'000</i> (unaudited)	Total <i>HK\$'000</i> (unaudited)
At 1 January 2005	2,980	(2,087)	893
Credit to the condensed consolidated income statement for the period	<u>(121)</u>	<u>(252)</u>	<u>(373)</u>
At 30 June 2005	<u>2,859</u>	<u>(2,339)</u>	<u>520</u>

13. SHARE CAPITAL

	At 30 June 2005 HK\$'000 (unaudited)	At 31 December 2004 HK\$'000 (audited)
Authorised:		
1,000,000,000 ordinary shares of HK\$0.01 each	<u>10,000</u>	<u>10,000</u>
Issued and fully paid:		
220,000,000 ordinary shares of HK\$0.01 each	<u>2,200</u>	<u>2,200</u>

14. CAPITAL COMMITMENTS

	At 30 June 2005 HK\$'000 (unaudited)	At 31 December 2004 HK\$'000 (audited)
Capital expenditure contracted for but not provided in the condensed consolidated financial statements in respect of acquisition of property, plant and equipment	<u>10,450</u>	<u>9,978</u>

15. OPERATING LEASE COMMITMENTS

At the balance sheet date, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	At 30 June 2005 HK\$'000 (unaudited)	At 31 December 2004 HK\$'000 (audited)
Within one year	2,814	3,146
In the second to fifth year inclusive	9,259	9,655
Over five years	<u>4,451</u>	<u>5,416</u>
	<u>16,524</u>	<u>18,217</u>

Operating lease payments represent rentals payable by the Group for certain of its office properties and factory land and buildings. The average lease term is 13 years. Rentals are fixed and no arrangements have been entered into for contingent rental payments.

16. 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 30 June 2005 amounted to approximately HK\$7,131,000 (at 31 December 2004: HK\$9,784,000).

2. SUMMARY OF FINANCIAL INFORMATION

The following is a summary of the audited consolidated income statements and consolidated balance sheets of the Group for the three years ended 31 December 2004:

RESULTS

	For the year ended 31 December		
	2002	2003	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	<u>134,163</u>	<u>150,545</u>	<u>154,584</u>
Profit before taxation	30,367	27,713	9,371
Taxation	<u>(1,828)</u>	<u>(1,959)</u>	<u>(957)</u>
Profit for the year	<u>28,539</u>	<u>25,754</u>	<u>8,414</u>

ASSETS AND LIABILITIES

	As at 31 December		
	2002	2003	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Total assets	130,190	186,034	200,377
Total liabilities	<u>(31,939)</u>	<u>(24,843)</u>	<u>(35,289)</u>
Shareholders' funds	<u>98,251</u>	<u>161,191</u>	<u>165,088</u>

3. AUDITED FINANCIAL STATEMENTS

The following is an extract of the audited financial statements of the Group from the annual reports of the Company for the year ended 31 December 2004:

Consolidated Income Statement

For the year ended 31 December 2004

	<i>Notes</i>	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i> (Restated)
Turnover	4	154,584	150,545
Cost of sales		<u>(128,899)</u>	<u>(107,869)</u>
Gross profit		25,685	42,676
Other operating income	5	1,828	2,191
Selling and distribution expenses		(4,999)	(4,420)
Administrative expenses		(12,451)	(11,802)
Other operating expenses		<u>(501)</u>	<u>(667)</u>
Profit from operations	6	9,562	27,978
Interest on bank loans repayable within five years		<u>(191)</u>	<u>(265)</u>
Profit before taxation		9,371	27,713
Taxation	8	<u>(957)</u>	<u>(1,959)</u>
Profit for the year		<u><u>8,414</u></u>	<u><u>25,754</u></u>
Dividends	9	<u><u>–</u></u>	<u><u>8,800</u></u>
Earnings per share – basic	10	<u><u>3.8 cents</u></u>	<u><u>11.7 cents</u></u>

Consolidated Balance Sheet*At 31 December 2004*

	<i>Notes</i>	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment	11	84,160	63,853
Goodwill	13	685	968
Investments in securities	14	1,449	1,225
		<u>86,294</u>	<u>66,046</u>
Current assets			
Inventories	15	29,834	19,707
Trade and other receivables	16	45,349	36,632
Investments in securities	14	1,876	1,499
Taxation recoverable		353	26
Bank balances and cash		36,671	62,124
		<u>114,083</u>	<u>119,988</u>
Current liabilities			
Trade and other payables	18	22,869	16,627
Taxation payable		1,743	2,271
Bank loans – due within one year	19	5,084	2,667
		<u>29,696</u>	<u>21,565</u>
Net current assets		<u>84,387</u>	<u>98,423</u>
Total assets less current liabilities		<u>170,681</u>	<u>164,469</u>
Non-current liabilities			
Bank loans – due after one year	19	4,700	2,444
Deferred tax liabilities	20	893	834
		<u>5,593</u>	<u>3,278</u>
		<u>165,088</u>	<u>161,191</u>
Capital and reserves			
Share capital	21	2,200	2,200
Reserves		162,888	158,991
		<u>165,088</u>	<u>161,191</u>

Balance Sheet*At 31 December 2004*

	<i>Notes</i>	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Non-current asset			
Investment in a subsidiary	12	98,291	98,291
Current assets			
Prepayments		145	145
Amount due from a subsidiary	17	30,419	41,199
		<u>30,564</u>	<u>41,344</u>
Current liabilities			
Accruals		594	453
Amounts due to subsidiaries		–	5,059
		<u>594</u>	<u>5,512</u>
Net current assets		<u>29,970</u>	<u>35,832</u>
		<u>128,261</u>	<u>134,123</u>
Capital and reserves			
Share capital	21	2,200	2,200
Reserves	23	126,061	131,923
		<u>128,261</u>	<u>134,123</u>

Consolidated Statement of Changes in Equity*For the year ended 31 December 2004*

	Share capital <i>HK\$'000</i> <i>(Note 21)</i>	Share premium <i>HK\$'000</i>	Investments revaluation reserve <i>HK\$'000</i>	Non- distributable reserve <i>HK\$'000</i> <i>(Note 23)</i>	Merger reserve <i>HK\$'000</i> <i>(Note 23)</i>	General reserve fund <i>HK\$'000</i> <i>(Note 23)</i>	Accumulated profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
THE GROUP								
At 1 January 2003	-	-	32	16,584	127	4,832	76,676	98,251
Issue of shares on placing and public offer	550	50,600	-	-	-	-	-	51,150
Capitalisation of share premium	1,650	(1,650)	-	-	-	-	-	-
Expenses incurred in connection with issue of shares	-	(9,598)	-	-	-	-	-	(9,598)
Surplus on revaluation and net gain not recognised in the income statement	-	-	34	-	-	-	-	34
Dividends paid	-	-	-	-	-	-	(4,400)	(4,400)
Transfer	-	-	-	-	-	805	(805)	-
Profit for the year	-	-	-	-	-	-	25,754	25,754
At 31 December 2003	<u>2,200</u>	<u>39,352</u>	<u>66</u>	<u>16,584</u>	<u>127</u>	<u>5,637</u>	<u>97,225</u>	<u>161,191</u>
Deficit on revaluation and net loss not recognised in the income statement	-	-	(51)	-	-	-	-	(51)
Gain realised on disposal of non-trading unlisted equity securities	-	-	(66)	-	-	-	-	(66)
Dividends paid	-	-	-	-	-	-	(4,400)	(4,400)
Transfer	-	-	-	-	-	208	(208)	-
Profit for the year	-	-	-	-	-	-	8,414	8,414
	<u>-</u>	<u>-</u>	<u>(117)</u>	<u>-</u>	<u>-</u>	<u>208</u>	<u>3,806</u>	<u>3,897</u>
At 31 December 2004	<u><u>2,200</u></u>	<u><u>39,352</u></u>	<u><u>(51)</u></u>	<u><u>16,584</u></u>	<u><u>127</u></u>	<u><u>5,845</u></u>	<u><u>101,031</u></u>	<u><u>165,088</u></u>

Consolidated Cash Flow Statement*For the year ended 31 December 2004*

	2004 HK\$'000	2003 HK\$'000
Operating activities		
Profit from operations	9,562	27,978
Adjustments for:		
Dividend income	(52)	(37)
Gain on disposal of unlisted equity securities	(84)	–
Gain on disposal of property, plant and equipment	(182)	–
Interest income	(40)	(416)
Unrealised holding gains on listed trading securities	(377)	(322)
Amortisation of goodwill	283	335
Depreciation	11,141	8,306
	<hr/>	<hr/>
Operating cash flows before movements in working capital	20,251	35,844
Increase in inventories	(10,127)	(6,333)
(Increase) decrease in trade and other receivables	(8,717)	3,981
Decrease in bills receivable	–	1,539
Increase (decrease) in trade and other payables	6,242	(5,033)
	<hr/>	<hr/>
Cash generated from operations	7,649	29,998
Hong Kong Profits Tax paid	(569)	(519)
Taxation in other jurisdictions paid	(1,184)	(1,235)
	<hr/>	<hr/>
Net cash from operating activities	5,896	28,244
	<hr/>	<hr/>
Investing activities		
Purchase of property, plant and equipment	(31,966)	(22,527)
Purchase of unlisted equity securities	(1,500)	–
Proceeds from disposal of unlisted equity securities	1,243	–
Proceeds from disposal of property, plant and equipment	700	–
Interest received	40	416
Dividends received	52	37
	<hr/>	<hr/>
Net cash used in investing activities	(31,431)	(22,074)
	<hr/>	<hr/>

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Financing activities		
New bank loan raised	8,000	–
Net proceeds from issue of shares on placing and public offer	–	41,552
Interest paid	(191)	(265)
Repayment of bank loans	(3,327)	(2,667)
Dividends paid	(4,400)	(4,400)
	<hr/>	<hr/>
Net cash from financing activities	82	34,220
	<hr/>	<hr/>
Net (decrease) increase in cash and cash equivalents	(25,453)	40,390
	<hr/>	<hr/>
Cash and cash equivalents brought forward	62,124	21,734
	<hr/>	<hr/>
Cash and cash equivalents carried forward, represented by bank balances and cash	<u>36,671</u>	<u>62,124</u>

Notes to the Financial Statements for the year ended 31 December 2004**1. GENERAL**

The Company was incorporated as an exempted company with limited liability in the Cayman Islands under the Companies Law of the Cayman Islands on 25 June 2002 and its shares have been listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 6 January 2003.

The Company acts as an investment holding company. The principal activities of the Company's subsidiaries are set out in note 12 to the financial statements.

2. POTENTIAL IMPACT ARISING FROM THE RECENTLY ISSUED ACCOUNTING STANDARDS

In 2004, the Hong Kong Institute of Certified Public Accountants (the "HKICPA") issued a number of new or revised Hong Kong Accounting Standards ("HKASs") and Hong Kong Financial Reporting Standards ("HKFRSs") (herein collectively referred to as "new HKFRSs") which are effective for accounting periods beginning on or after 1 January 2005. The Group has not early adopted these new HKFRSs in the financial statements for the year ended 31 December 2004.

The Group has commenced considering the potential impact of these new HKFRSs but is not yet in a position to determine whether these new HKFRSs would have a significant impact on how its results of operations and financial position are prepared and presented. These new HKFRSs may result in changes in the future as to how the results and financial position are prepared and presented.

3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention, as modified for the revaluation of investments in securities, and in accordance with accounting principles generally accepted in Hong Kong.

Certain comparative figures have been reclassified to conform with the current year's presentation.

The principal accounting policies adopted are set out below:

Basis of consolidation

The consolidated financial statements incorporated the financial statements of the Company and its subsidiaries made up to 31 December each year.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All significant inter-company transactions and balances within the Group are eliminated on consolidation.

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition. Goodwill arising on acquisition is capitalised and amortised on a straight-line basis over its useful economic life. Goodwill arising on the acquisition of subsidiaries is presented separately in the balance sheet as a separate intangible asset.

Investments in subsidiaries

Investments in subsidiaries are included in the Company's balance sheet at cost less any identified impairment loss.

Property, plant and equipment

Property, plant and equipment are stated at cost less depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of items of property, plant and equipment over their estimated useful lives and after taking into account their estimated residual value, using the straight-line method, at the following rates per annum:

Buildings	Over the term of the lease, or 20 years, whichever is the shorter
Leasehold improvements	Over the term of the lease, or 20 years, whichever is the shorter
Plant and machinery	9%
Furniture, fixtures and equipment	18% – 25%
Motor vehicles	18% – 25%

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the income statement.

Investments in securities

Investments in securities are recognised on a trade-date basis and are initially measured at cost.

At subsequent reporting dates, debt securities that the Group has the expressed intention and ability to hold to maturity (held-to-maturity debt securities) are measured at amortised cost, less any impairment loss recognised to reflect irrecoverable amounts. The annual amortisation of any discount or premium on the acquisition of a held-to-maturity security is aggregated with other investment income receivable over the term of the instrument so that the revenue recognised in each year represents a constant yield on the investment.

All securities other than held-to-maturity debt securities are measured at subsequent reporting dates at fair value.

Where securities are held for trading purposes, unrealised gains and losses are included in the income statement for the year. For other securities, unrealised gains and losses are dealt with in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the income statement for the year.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method.

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Revenue recognition

Sales of goods are recognised when goods are delivered and title has passed.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the interest rate applicable.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years, and it further excludes income statement items that are never taxable or deductible.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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 realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Foreign currencies

Transactions in currencies other than Hong Kong dollars are initially recorded at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities denominated in currencies other than Hong Kong dollars are re-translated at the rates prevailing on the balance sheet date. Gains and losses arising on exchange are dealt with in the income statement for the year.

On consolidation, the assets and liabilities of the Group's operations outside Hong Kong are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised as income or as expenses in the period in which the operation is disposed of.

Operating leases

Rental payables on properties under operating leases are charged to the income statement on a straight-line basis over the term of the relevant leases.

Retirement benefit costs

Payments to retirement benefit schemes are charged as an expense as they fall due.

4. TURNOVER AND SEGMENTAL INFORMATION

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

Business segments

For management purposes, the Group's business is currently organised into four operating divisions which are the basis on which the Group reports its primary segment information. Due to the change in product mix of the Group, the primary business segments were re-categorised during the year for a better understanding on the Group's operation. Comparatives were restated to conform with the changes in the presentation.

Principal activities are as follows:

- | | | |
|-----------------|---|--|
| Aluminium parts | – | sale of aluminium die casting parts manufactured and processed by the Group. |
| Zinc parts | – | sale of zinc die casting parts manufactured and processed by the Group and zinc die casting parts purchased from suppliers but processed by the Group. |
| Magnesium parts | – | sale of magnesium die casting parts manufactured and processed by the Group. |
| Others | – | sale of screw machined brass parts and other castings purchased from suppliers but processed by the Group. |

APPENDIX I
FINANCIAL INFORMATION ON THE GROUP

For the year ended 31 December 2004

	Aluminium parts HK\$'000	Zinc parts HK\$'000	Magnesium parts HK\$'000	Others HK\$'000	Consolidated HK\$'000
TURNOVER	<u>136,249</u>	<u>12,205</u>	<u>5,754</u>	<u>376</u>	<u>154,584</u>
RESULTS					
Segment results	<u>8,075</u>	<u>807</u>	<u>264</u>	<u>7</u>	9,153
Income from investments in securities					513
Interest income					40
Unallocated corporate expenses					<u>(144)</u>
Profit from operations					9,562
Interest on bank loans repayable within five years					<u>(191)</u>
Profit before taxation					9,371
Taxation					<u>(957)</u>
Profit for the year					<u>8,414</u>
BALANCE SHEET					
ASSETS					
Segment assets	130,587	18,809	4,509	107	154,012
Investments in securities					3,325
Unallocated corporate assets					<u>43,040</u>
Consolidated total assets					<u>200,377</u>
LIABILITIES					
Segment liabilities	14,834	4,966	–	–	19,800
Unsecured bank loans					9,784
Unallocated corporate liabilities					<u>5,705</u>
Consolidated total liabilities					<u>35,289</u>
OTHER INFORMATION					
Capital additions	28,262	3,704	–	–	31,966
Depreciation	9,284	1,638	219	–	11,141

APPENDIX I
FINANCIAL INFORMATION ON THE GROUP

For the year ended 31 December 2003 (Restated)

	Aluminium parts HK\$'000	Zinc parts HK\$'000	Magnesium parts HK\$'000	Others HK\$'000	Consolidated HK\$'000
TURNOVER	<u>129,393</u>	<u>16,293</u>	<u>3,243</u>	<u>1,616</u>	<u>150,545</u>
RESULTS					
Segment results	<u>23,444</u>	<u>3,154</u>	<u>564</u>	<u>216</u>	27,378
Income from investments in securities					359
Interest income					416
Unallocated corporate expenses					(175)
Profit from operations					27,978
Interest on bank loan repayable within five years					(265)
Profit before taxation					27,713
Taxation					(1,959)
Profit for the year					<u>25,754</u>
BALANCE SHEET					
ASSETS					
Segment assets	97,030	16,956	3,281	73	117,340
Investments in securities					2,724
Unallocated corporate assets					65,970
Consolidated total assets					<u>186,034</u>
LIABILITIES					
Segment liabilities	11,133	4,319	-	-	15,452
Secured bank loan					5,111
Unallocated corporate liabilities					4,280
Consolidated total liabilities					<u>24,843</u>
OTHER INFORMATION					
Capital additions	18,133	4,394	-	-	22,527
Depreciation	6,946	1,083	277	-	8,306

Geographical segments

The following tables provide an analysis of the Group's sales by geographical markets, irrespective of the origin of the goods:

	Sales revenue by geographical market		Contribution to profit from operations	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
The People's Republic of China (the "PRC"), including				
Hong Kong	85,851	78,097	5,083	14,284
North America	26,545	38,924	1,644	7,014
Europe	30,176	27,528	1,784	5,007
Others	12,012	5,996	642	1,073
	<u>154,584</u>	<u>150,545</u>	9,153	27,378
Income from investments in securities			513	359
Interest income			40	416
Unallocated corporate expenses			<u>(144)</u>	<u>(175)</u>
			<u>9,562</u>	<u>27,978</u>

The following is an analysis of the carrying amount of segment assets, and additions to property, plant and equipment, analysed by the geographical area in which the assets are located:

Geographical region	Carrying amount of segment assets		Additions to property, plant and equipment	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
The PRC	130,104	101,783	31,941	22,336
Hong Kong	69,920	84,225	25	191
	<u>200,024</u>	<u>186,008</u>	<u>31,966</u>	<u>22,527</u>

5. OTHER OPERATING INCOME

	2004 HK\$'000	2003 HK\$'000
Included in other operating income are the following:		
Dividend income from listed trading securities	52	37
Exchange gain	203	299
Gain on disposal of unlisted equity securities	84	–
Gain on disposal of property, plant and equipment	182	–
Interest income	40	416
Unrealised holding gains on listed trading securities	<u>377</u>	<u>322</u>

6. PROFIT FROM OPERATIONS

	2004 HK\$'000	2003 HK\$'000
Profit from operations has been arrived at after charging:		
Directors' remuneration (<i>Note 7</i>)	6,089	5,744
Other staff costs (<i>Note</i>)	37,242	30,316
	<hr/>	<hr/>
Total staff costs	43,331	36,060
Amortisation of goodwill (included in other operating expenses)	283	335
Auditors' remuneration		
Current year	491	396
Underprovision in previous years	–	100
	<hr/>	<hr/>
	491	496
Cost of inventories recognised as expense	49,096	43,298
Depreciation	11,141	8,306
Operating lease charges on land and buildings	2,875	2,718
Retirement benefit schemes contributions (<i>Note 27</i>)	592	408
	<hr/> <hr/>	<hr/> <hr/>

Note: During the year, the directors of the Company conducted a review of the classification of other staff costs and concluded that part of other staff costs should be reclassified from administrative expenses to cost of sales and selling and distribution expenses in order to present a more realistic financial position of the Group. Accordingly, other staff costs for the year ended 31 December 2003 amounted to approximately HK\$4,071,000 and HK\$1,132,000 which were previously included in the administrative expenses were reclassified to cost of sales and selling and distribution expenses, respectively.

7. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

	2004 HK\$'000	2003 HK\$'000
Directors' fees		
Executive director	50	50
Independent non-executive directors	125	150
Non-executive director	50	–
Other emoluments:		
Executive directors		
Salaries and other benefits	5,690	5,370
Discretionary bonuses	150	150
Retirement benefit schemes contributions	24	24
	<hr/>	<hr/>
Total emoluments	6,089	5,744
	<hr/> <hr/>	<hr/> <hr/>

	2004 No. of directors	2003 No. of directors
Emoluments of the directors were within the following bands:		
Nil to HK\$1,000,000	5	4
HK\$2,000,001 to HK\$2,500,000	<u>2</u>	<u>2</u>

Of the five individuals with the highest emoluments in the Group, two individuals (2003: two individuals) were directors of the Company whose emoluments are included in the disclosure set out above. The emoluments of the remaining three individuals (2003: three individuals) were as follows:

	2004 HK\$'000	2003 HK\$'000
Salaries and other benefits	1,885	1,885
Retirement benefit schemes contributions	<u>12</u>	<u>18</u>
	<u>1,897</u>	<u>1,903</u>
	2004 No. of individuals	2003 No. of individuals

Emoluments of the employees were within the following band:

Nil to HK\$1,000,000	<u>3</u>	<u>3</u>
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During the year, no emoluments were paid by the Group to any of the directors or the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors has waived any emoluments during the year.

8. TAXATION

	2004 HK\$'000	2003 HK\$'000
Current tax:		
Hong Kong Profits Tax		
Current year	241	593
Under (over) provision in previous years	<u>1</u>	<u>(128)</u>
	242	465
Taxation in other jurisdictions	<u>656</u>	<u>1,098</u>
	898	1,563
Deferred tax (<i>Note 20</i>):		
Current year	<u>59</u>	<u>396</u>
Taxation attributable to the Company and its subsidiaries	<u>957</u>	<u>1,959</u>

Hong Kong Profits Tax is calculated at 17.5% (2003: 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 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 year.

The tax charge for the year can be reconciled to the profit per the income statement as follows:

	2004 HK\$'000	2003 HK\$'000
Profit before taxation	<u>9,371</u>	<u>27,713</u>
Tax at the PRC income tax rate of 24% (2003: 24%)	2,249	6,651
Tax effect of income not taxable for tax purpose	(1,874)	(3,624)
Tax effect of expenses not deductible for tax purpose	510	320
Effect of tax exemptions granted to the Company’s subsidiaries	(59)	(1,259)
Tax effect of tax losses not recognised	203	–
Effect of different tax rates of subsidiaries operating in other jurisdictions	(107)	(255)
Others	34	254
Under (over) provision in previous years	<u>1</u>	<u>(128)</u>
Tax charge for the year	<u>957</u>	<u>1,959</u>

9. DIVIDENDS

	2004 HK\$'000	2003 HK\$'000
Interim paid – Nil (2003: HK\$0.02) per ordinary share	–	4,400
Final, proposed – Nil (2003: HK\$0.02) per ordinary share	<u>–</u>	<u>4,400</u>
	<u>–</u>	<u>8,800</u>

The directors do not recommend the payment of a dividend for the year ended 31 December 2004.

10. EARNINGS PER SHARE

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

	2004 HK\$'000	2003 HK\$'000
Earnings for the purpose of basic earnings per share	<u>8,414</u>	<u>25,754</u>
Weighted average number of shares for the purpose of basic earnings per share	<u>220,000,000</u>	<u>219,246,575</u>

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

11. PROPERTY, PLANT AND EQUIPMENT

	Buildings HK\$'000	Leasehold improve- ments HK\$'000	Plant and machinery HK\$'000	Furniture, fixtures and equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
THE GROUP						
COST						
At 1 January 2004	1,991	8,473	81,969	5,971	1,432	99,836
Additions	1,563	1,436	27,026	1,877	64	31,966
Disposals	-	-	(1,000)	(6)	-	(1,006)
At 31 December 2004	<u>3,554</u>	<u>9,909</u>	<u>107,995</u>	<u>7,842</u>	<u>1,496</u>	<u>130,796</u>
DEPRECIATION						
At 1 January 2004	1,035	2,441	28,754	2,817	936	35,983
Provided for the year	375	1,421	7,982	1,173	190	11,141
Eliminated on disposals	-	-	(485)	(3)	-	(488)
At 31 December 2004	<u>1,410</u>	<u>3,862</u>	<u>36,251</u>	<u>3,987</u>	<u>1,126</u>	<u>46,636</u>
NET BOOK VALUE						
At 31 December 2004	<u>2,144</u>	<u>6,047</u>	<u>71,744</u>	<u>3,855</u>	<u>370</u>	<u>84,160</u>
At 31 December 2003	<u>956</u>	<u>6,032</u>	<u>53,215</u>	<u>3,154</u>	<u>496</u>	<u>63,853</u>

12. INVESTMENT IN A SUBSIDIARY

	2004 & 2003 HK\$'000
Unlisted shares, at cost	<u>98,291</u>

The cost of the unlisted shares is based on the book value of the underlying net assets of the subsidiaries attributable to the Group on the date of the group reorganisation effected on 13 December 2002 (the "Group Reorganisation").

Particulars of the Company's subsidiaries as at 31 December 2004 are as follows:

Name of subsidiary	Place of incorporation/ establishment and operations	Issued and fully paid share/ registered capital	Proportion of nominal value of issued/registered capital held by the Company (Note i)	Principal activities
Dongguan United (Note ii)	PRC	Registered capital HK\$15,000,000	100%	Die casting and trading of metal products
Everhope Industrial Limited ("Everhope")	Hong Kong	Ordinary HK\$2	100%	Die casting and trading of metal products
United Metals Company Limited	Hong Kong	Ordinary HK\$1,602	100%	Trading of metal products
United Metals Asset Management Co., Ltd.	British Virgin Islands	Ordinary US\$1	100%	Investment holding
United Non-Ferrous (H.K.) Limited	Hong Kong	Ordinary HK\$1,602	100%	Provision of administrative services
United Non-Ferrous (Overseas) Limited ("United Overseas")	British Virgin Islands	Ordinary US\$17,622	100%	Investment holding
United Non-Ferrous Sdn. Bhd.	Malaysia	Ordinary RM2	100%	Investment holding and trading of metal products
United Shanghai (Note ii)	PRC	Registered capital US\$12,000,000 (Note iii)	100%	Inactive
United Castings (Note ii)	PRC	Registered capital HK\$8,000,000 (Note iii)	100%	Die casting and trading of metal products

Notes:

- (i) Other than United Overseas which is held directly by the Company, all subsidiaries shown above are held indirectly by the Company.
- (ii) Dongguan United, United Shanghai and United Castings are established in the PRC as wholly foreign owned enterprises.
- (iii) As at 31 December 2004, the capital of United Shanghai and United Castings were paid up as to US\$1,800,000 and HK\$7,375,000, respectively.
- (iv) None of the subsidiaries had any debt securities outstanding at the end of the year or any time during the year.

13. GOODWILL

HK\$'000

COST

At 1 January 2004 and 31 December 2004

1,417

AMORTISATION

At 1 January 2004

449

Charge for the year

283

At 31 December 2004

732

NET BOOK VALUE

At 31 December 2004

685

At 31 December 2003

968

The amortisation period adopted for this goodwill is 5 years.

14. INVESTMENTS IN SECURITIES

THE GROUP**2004****2003**

HK\$'000

HK\$'000

Equity securities

Non-trading unlisted equity securities

1,449

1,225

Listed Hong Kong equity trading securities

1,876

1,499

3,325

2,724

Market value of listed securities

1,876

1,499

Carrying amount analysed for reporting purposes as:

Non-current

1,449

1,225

Current

1,876

1,499

3,325

2,724

15. INVENTORIES

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
Raw materials	10,248	5,177
Work-in-progress	12,608	10,717
Finished goods	6,978	3,813
	<u>29,834</u>	<u>19,707</u>

Included above are raw materials of HK\$70,000 (2003: HK\$34,000), work-in-progress of HK\$85,000 (2003: HK\$30,000) and finished goods of HK\$546,000 (2003: HK\$128,000) which were carried at net realisable value.

16. 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:

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
Trade receivables		
Not yet due	18,125	14,851
Overdue 0 to 30 days	11,301	11,004
Overdue 31 to 60 days	2,977	1,727
Overdue 61 to 90 days	630	955
Overdue 91 to 120 days	342	60
Overdue more than 120 days	367	947
	<u>33,742</u>	<u>29,544</u>
Other receivables		
Deposits paid	10,043	3,592
Prepayments	262	1,395
Others	1,302	2,101
	<u>11,607</u>	<u>7,088</u>
	<u>45,349</u>	<u>36,632</u>

17. AMOUNT DUE FROM A SUBSIDIARY

The amount is unsecured, interest free and has no fixed terms of repayment.

18. TRADE AND OTHER PAYABLES

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

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
Trade payables		
Not yet due	5,092	2,355
Overdue 0 to 30 days	1,397	2,325
Overdue 31 to 60 days	13	19
Overdue 61 to 90 days	–	2
Overdue 91 to 120 days	–	–
Overdue more than 120 days	17	1
	<u>6,519</u>	<u>4,702</u>
Other payables		
Accruals	13,218	9,732
Deposits received	3,132	2,193
	<u>16,350</u>	<u>11,925</u>
	<u>22,869</u>	<u>16,627</u>

19. BANK LOANS

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
Secured	–	5,111
Unsecured	9,784	–
	<u>9,784</u>	<u>5,111</u>

The bank loans are repayable as follows:

Within one year	5,084	2,667
More than one year, but not exceeding two years	2,640	2,444
More than two years, but not exceeding five years	2,060	–
	<u>9,784</u>	<u>5,111</u>
Less: Amounts due within one year and shown under current liabilities	<u>(5,084)</u>	<u>(2,667)</u>
Amounts due after one year	<u>4,700</u>	<u>2,444</u>

20. DEFERRED TAXATION

The following are the major deferred tax liabilities and assets recognised and movements thereon during the current and prior reporting periods:

THE GROUP

	Accelerated tax depreciation <i>HK\$'000</i>	Tax losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
Adjustment to the net deferred tax liability of a subsidiary acquired upon adoption of SSAP 12 (Revised)	725	(287)	438
Charge (credit) to the income statement for the year	1,466	(1,070)	396
At 31 December 2003	2,191	(1,357)	834
Charge (credit) to the income statement for the year	789	(730)	59
At 31 December 2004	2,980	(2,087)	893

At the balance sheet date, the Group had unused tax losses of approximately HK\$12,773,000 (2003: HK\$7,752,000) available for offset against future profits. An amount of approximately HK\$11,925,000 (2003: HK\$7,752,000) of such losses has been utilised to set off other deferred tax liabilities. No deferred tax asset has been recognised in respect of the remaining tax losses of HK\$848,000 (2003: Nil) due to the unpredictability of future profits streams. These unrecognised tax losses will expire in the year of 2009.

21. SHARE CAPITAL

	Number of ordinary shares	Amount <i>HK\$</i>
<i>Authorised:</i>		
Ordinary shares of HK\$0.01 each		
At 1 January 2003, 31 December 2003 and 2004	1,000,000,000	10,000,000
<i>Issued and fully paid:</i>		
Ordinary shares of HK\$0.01 each		
Issued and fully paid capital at 1 January 2003	19,224	192
Issue of shares on placing and public offer (<i>Note i</i>)	55,000,000	550,000
Capitalisation of share premium (<i>Note ii</i>)	164,980,776	1,649,808
Issued and fully paid capital at 31 December 2003 and 2004	220,000,000	2,200,000

Notes:

- (i) On 5 January 2003, the Company issued and allotted a total of 55,000,000 new ordinary shares of HK\$0.01 each in the Company at an offer price of HK\$0.93 per share for placing and public offer (the "Share Offer"). These new shares ranked *pari passu* in all respects with the then existing shares.
- (ii) Pursuant to the written resolution passed by the shareholders of the Company on 11 December 2002, the share premium account of the Company was credited as a result of the Share Offer. The Company allotted and issued a total of 164,980,776 new ordinary shares of HK\$0.01 each in the Company credited as fully paid at par to and amongst the shareholders whose names appeared on the register of members of the Company (or as such members of the Company may direct) as at the close of business on 16 December 2002 in proportion (as nearly as possible without involving fractions) to their then respective shareholdings in the Company by way of capitalisation of the sum of HK\$1,649,808 standing to the credit of the share premium account of the Company. These new shares ranked *pari passu* in all respects with the then existing shares.

22. SHARE OPTION SCHEME

The Company's share option scheme (the "Scheme") was adopted for a period of ten years commencing from 11 December 2002 pursuant to a written resolution of all shareholders passed on 11 December 2002 for the primary purpose of providing incentives or rewards to directors and eligible employees. Under the Scheme, the Company may grant options to eligible employees and directors of the Company and its subsidiaries, to subscribe for shares in the Company. Additionally, the Company may, from time to time, grant share options to outside eligible advisors and consultants to the Company and its subsidiaries at the discretion of the board of directors.

The number of shares which may be issued under the Scheme is subject to the following limits:

- (i) the maximum number of shares in respect of which options may be granted under the Scheme and any other share option scheme of the Company must not in aggregate exceed 30% of the total number of issued shares of the Company from time to time;
- (ii) without prior approval from the Company's shareholders, the total number of shares in respect of which options may be granted under the Scheme and any other share option scheme is not permitted to exceed 22,000,000 shares, representing 10% of the issued share capital of the Company at 6 January 2003; and
- (iii) the number of shares in respect of which options may be granted to any individual in any one year is not permitted to exceed 1% of the issued share capital of the Company as at the date of such grant.

A nominal consideration of HK\$1 is payable upon acceptance of the grant of the option. The exercise price is determined by the directors of the Company and will be at least the higher of (i) the average of the closing prices of the ordinary shares of the Company for the five trading days immediately preceding the date of the grant; (ii) the closing price of the ordinary shares of the Company on the date of the grant; and (iii) the nominal value of the ordinary shares of the Company.

Any options granted under the Scheme must be exercised during such option period as may be determined and notified by the directors of the Company, which shall not exceed 10 years from the date of acceptance of the option.

No options have been granted under the Scheme since its adoption.

23. RESERVES

	Share premium <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
THE COMPANY				
At 1 January 2003	–	98,291	(40)	98,251
Issue of shares on the Share Offer	50,600	–	–	50,600
Capitalisation of share premium	(1,650)	–	–	(1,650)
Expenses incurred in connection with issue of shares	(9,598)	–	–	(9,598)
Dividends paid	–	–	(4,400)	(4,400)
Loss for the year	–	–	(1,280)	(1,280)
	<u>39,352</u>	<u>98,291</u>	<u>(5,720)</u>	<u>131,923</u>
At 31 December 2003	39,352	98,291	(5,720)	131,923
Dividends paid	–	–	(4,400)	(4,400)
Loss for the year	–	–	(1,462)	(1,462)
	<u>–</u>	<u>–</u>	<u>(1,462)</u>	<u>(1,462)</u>
At 31 December 2004	<u>39,352</u>	<u>98,291</u>	<u>(11,582)</u>	<u>126,061</u>

THE GROUP

The non-distributable reserve represents the aggregate amount of the share premium of the subsidiaries.

The merger reserve represents the difference between the aggregate nominal amount of the share capital of the subsidiaries and the nominal amount of the Company's shares issued in exchange thereof pursuant to the Group Reorganisation.

As stipulated by the relevant laws and regulations in the PRC, the subsidiaries established in the PRC (the "PRC subsidiaries") are required to maintain a general reserve fund which is non-distributable. Appropriations to this reserve fund is made out of net profit after taxation of the PRC subsidiaries' PRC statutory financial statements which are prepared in accordance with the accounting principles generally accepted in the PRC. The amount and allocation basis are decided by the board of directors of the PRC subsidiaries annually and is not less than 10% of the net profit after taxation of the PRC subsidiaries for that year. The general reserve fund can be used for expanding the capital base of the PRC subsidiaries by means of capitalisation issue.

THE COMPANY

The contributed surplus represents the difference between the net assets of the subsidiaries and the nominal amount of the Company's shares issued in exchange thereof pursuant to the Group Reorganisation.

The Company's reserves available for distribution to its shareholders comprise contributed surplus, share premium and accumulated losses which in aggregate amounted to approximately HK\$126,061,000 (2003: HK\$131,923,000). In accordance with the Company's Articles of Association, dividends shall be payable out of the profits or other reserves, including the share premium account, of the Company and under the Companies Law (Revised) of the Cayman Islands, the Company cannot pay a dividend unless it is able to pay its debts as they fall due in the ordinary course of business immediately following the distribution of dividend.

24. CAPITAL COMMITMENTS

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
Capital expenditure contracted for but not provided in the financial statements in respect of acquisition of property, plant and equipment	9,978	26,658
	<u>9,978</u>	<u>26,658</u>

25. OPERATING LEASE COMMITMENTS

At the balance sheet date, the Group had outstanding commitments under non-cancellable operating leases for rented premises which fall due as follows:

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
Within one year	3,146	3,498
In the second to fifth year inclusive	9,655	11,253
Over five years	5,416	7,748
	<u>18,217</u>	<u>22,499</u>

Operating lease payments represent rentals payable by the Group for certain of its office properties and factory land and buildings. The average lease term is 13 years. Rentals are fixed and no arrangements have been entered into for contingent rental payments.

26. PLEDGE OF ASSETS

As at 31 December 2003, general banking facilities granted by a bank to the Group were secured by the Group's investments in securities amounting to approximately HK\$1,225,000. The security was released during the year ended 31 December 2004.

27. RETIREMENT BENEFIT SCHEMES

Effective from 1 December 2000, the Group has participated in a Mandatory Provident Fund Scheme (the "MPF Scheme") for all its eligible employees in Hong Kong. The MPF Scheme is registered with the Mandatory Provident Fund Scheme Authority under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the rules of the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at rates specified in the rules. The only obligation of the Group with respect to MPF Scheme is to make the required contributions under the scheme. No forfeited contributions are available to reduce the contribution payable in the future years.

The Group is also required to make contributions to state pension schemes in the PRC based on a certain percentage of the monthly payroll costs of the employees of Dongguan United, Everhope and United Castings. The Group has no other obligations under the state pension schemes in the PRC other than the contribution payments.

During the year, the total amount contributed by the Group to the relevant retirement benefits schemes are as follows:

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
MPF Scheme	154	141
State pension schemes	438	267
	592	408
	592	408

28. CONTINGENT LIABILITIES

The Company has given guarantees to a bank in respect of general facilities granted to its subsidiaries. The extent of such facilities utilised by the subsidiaries at 31 December 2004 amounted to approximately HK\$9,784,000 (2003: Nil).

4. INDEBTEDNESS

As at the close of business on 31 January 2006, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this circular, the Group had outstanding unsecured bank borrowings of approximately HK\$4.5 million.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities, the Group did not have at the close of business on 31 January 2006 any debt securities, any other outstanding loan capital, any other borrowings or indebtedness in the nature of borrowings of the Group including bank overdrafts and liabilities under acceptances (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, hire purchase commitments, guarantees or other material contingent liabilities.

5. WORKING CAPITAL

Taking into account the resources available to the Group, including the existing banking facilities available and internally generated funds, the Directors are of the opinion that the Group has sufficient working capital for its present requirement.

6. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2004, being the date to which the latest published audited consolidated financial statements of the Company were made up.

1. RESPONSIBILITY

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement contained herein misleading.

2. DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES AND UNDERLYING SHARES

As at the Latest Practicable Date, the interests of the directors and the chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:–

Long Positions

Ordinary shares of HK\$0.01 each of the Company

Name of director of the Company	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Thomas Lau, Luen-hung	Held by controlled corporation (<i>Note i</i>)	69,468,000	31.58%
Tsang Chiu Wai	Held by controlled corporation (<i>Note ii</i>)	62,292,000	28.31%
Kong Cheuk Luen, Trevor	Held by controlled corporation (<i>Note iii</i>)	31,716,000	14.42%
		<u>163,476,000</u>	<u>74.31%</u>

Notes:

- (i) These securities are beneficially owned by Shine Top Limited, a company incorporated in the British Virgin Islands. The entire issued share capital of Shine Top Limited is beneficially owned by Mr. Thomas Lau, Luen-hung. According, Mr. Thomas Lau, Luen-hung is deemed to be interested in 69,468,000 shares held by Shine Top Limited under the SFO.

- (ii) These securities are beneficially owned by Standard Beyond Limited, a company incorporated in the British Virgin Islands. The entire issued share capital of Standard Beyond Limited is beneficially owned by Mr. Tsang Chiu Wai. Accordingly, Mr. Tsang Chiu Wai is deemed to be interested in 62,292,000 shares held by Standard Beyond Limited under the SFO. Mr. Tsang Chiu Wai is also a director of Standard Beyond Limited.
- (iii) These securities are beneficially owned by Absolute Above Limited, a company incorporated in the British Virgin Islands. The entire issued share capital of Absolute Above Limited is beneficially owned by Mr. Kong Cheuk Luen, Trevor. Accordingly, Mr. Kong Cheuk Luen, Trevor is deemed to be interested in 31,716,000 shares held by Absolute Above Limited under the SFO. Mr. Kong Cheuk Luen, Trevor is also a director of Absolute Above Limited.

Other than as disclosed above, none of the directors or chief executives of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as at the Latest Practicable Date.

3. SUBSTANTIAL SHAREHOLDERS

Other than as disclosed under the section headed "Directors' and Chief Executives' Interests in Shares and Underlying Shares", there is no person known to the directors or chief executive of the Company, who, as at the Latest Practicable Date, had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was directly or indirectly interested in 10% or more of the nominal value of any class of shares of the Company or any other members of the Group.

4. INTERESTS IN ASSETS

None of the Directors has any material direct or indirect interest in any assets acquired or disposed of by or leased to any member of the Group or is proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2004, being the date to which the latest published audited accounts of the Company were made up.

5. INTERESTS IN CONTRACT OR ARRANGEMENT

As at the Latest Practicable Date, none of the Directors is materially interested in any contract or arrangement which is significant in relation to the business of the Group.

6. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

7. MATERIAL LITIGATION

As at the Latest Practicable Date, so far as known to the Directors, there was no litigation or claim of material importance pending or threatened against any member of the Group.

8. MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business) have been entered into by members of the Group within the two years preceding the date of this circular and are or may be material:–

- (a) the 1st Construction Agreement;
- (b) the 2nd Construction Agreement;
- (c) the 3rd Construction Agreement;
- (d) the 4th Construction Agreement;
- (e) the design blueprint agreement entered into between Shanghai CCI Architectural Design & Consultants Co Ltd and UMPS on 2 November 2004 in relation to the design of factory at the Construction Site on an ongoing basis at a consideration of RMB1,550,000 (equivalent to approximately HK\$1,490,385);
- (f) the wall construction agreement entered into between Shanghai Construction and UMPS on 21 January 2005 in relation to the building of wall of factory at the Construction Site on an ongoing basis at a consideration of RMB586,562 (equivalent to approximately HK\$564,002);
- (g) the piling agreement entered into between Shanghai Construction and UMPS on 18 March 2005 in relation to the pile works at the Construction Site on an ongoing basis at a consideration of RMB2,292,677 (equivalent to approximately HK\$2,204,497); and
- (h) the construction supervision agreement into between Construction Supervisor and UMPS on 24 March 2005 in relation to the construction supervision works at the Construction Site on an ongoing basis at a consideration of RMB500,000 (equivalent to approximately HK\$480,769).

9. DIRECTORS' INTERESTS IN COMPETING BUSINESSES

As at the Latest Practicable Date, none of the Directors or their respective associates had any interest in businesses which are considered to compete or are likely to compete, either directly or indirectly, with the businesses of the Group as required to be disclosed pursuant to the Listing Rules.

10. PROCEDURE FOR DEMANDING A POLL

Pursuant to Article 76 of the Articles of Association of the Company, at any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is demanded by :

- (a) the chairman of such meeting; or
- (b) at least five Shareholders present in person (or, in the case of a Shareholder being a corporation, by its duly authorised representative) or by proxy for the time being entitled to vote at the meeting; or
- (c) a Shareholder or Shareholders present in person (or, in the case of a Shareholder being a corporation, by its duly authorised representative) or by proxy and representing not less than one-tenth of the total voting rights of all Shareholders having the right to attend and vote at the meeting; or
- (d) a Shareholder or Shareholders present in person (or, in the case of a Shareholder being a corporation, by its duly authorized representative) or by proxy and holding shares in the Company conferring a right to attend and vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all shares conferring that right.

A demand by a person as proxy for a Shareholder or in case of a Shareholder being a corporation by its duly authorized representative shall be deemed to be the same as a demand by a Shareholder.

11. MISCELLANEOUS

- (a) The secretary of the Company is Ms. Siu Po Sim, Katherine, an associate member of the Institute of Chartered Secretaries and Administrators.
- (b) The qualified accountant of the Company is Mr. Chan Sai Hung, a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants, a Fellow member of Association of Chartered Certified Accountants and an Associate member of Certified General Accountants (Canada).

- (c) The registered office of the Company is at P.O. Box 309GT, Ugland House, South Church Street, Grand Cayman, Cayman Islands and the principal place of business of the Company in Hong Kong is at Unit 901-903, 9th Floor, Laford Centre, 838 Lai Chi Kok Road, Cheung Sha Wan, Kowloon, Hong Kong.
- (d) The Hong Kong branch share registrar and transfer office of the Company is Computershare Hong Kong Investor Services Limited at 46th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (e) The English text of this circular shall prevail over the Chinese text in the case of inconsistency.

12. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at the principal place of business of the Company in Hong Kong at Unit 901-903, 9th Floor, Laford Centre, 838 Lai Chi Kok Road, Cheung Sha Wan, Kowloon, Hong Kong up to and including 1 April 2006:

- (a) the memorandum and articles of association of the Company;
- (b) the material contracts referred to in the section headed "Material Contracts" in this Appendix;
- (c) the annual reports of the Company for the two years ended 31 December 2003 and 2004; and
- (d) the interim report of the Company for the six months ended 30 June 2005.