



To our shareholders,

I am pleased to present the annual report of United Metals Holdings Limited ("United Metals" or the "Group") for the year ended 31st December, 2004.

During the year under review, the global economy appeared to shake off the effects of the prolonged economic recession. As a result, the GDP of The People's Republic of China ("the PRC") grew by approximately 8.5%, thus creating enormous market demand within the die-casting market. However, the increased demand was off set by a number of factors in the market environment that to a certain degree affected the performance of the majority of manufacturers in the PRC. Market competition among the PRC manufacturers continued to be very keen and there were global surges in raw material and energy prices, particularly the price of petroleum. In addition to this, manufacturers, especially those in the southern part of the PRC, faced electricity and labour shortages. All of these factors affected the Group's overall business performance.



United Metals

to solidify its position as A World Class Company

However, as a world class die-caster in the PRC, United Metals leveraged on its in-depth expertise, prudent management philosophy and dedication for excellence to sustain its leading position and continue to record profitable results during 2004. For the year under review, the Group's turnover increased to HK\$154,584,000 (2003: HK\$150,545,000). Profit attributable to shareholders was HK\$8,414,000 (2003: HK\$25,754,000) and earnings per share was HK 3.8 cents (2003: HK 11.7 cents).

To maintain its market leadership, the Group further implemented a number of unique and well-planned strategies during the year to meet the current and future market challenges. United Metals is confident that the successful implementation of these strategies will greatly benefit the Group's overall business performance.

In 2004, the Group strengthened its vertically-integrated service capability in order to better serve its loyal clientele and to attract and capture business opportunities as a one-stop die-casting service provider. As part of this strategy, United Metals purchased precision machinery during the year under review and will continue to procure such items in 2005 to provide more value-adding technologies with its services that include top quality surface finishing and paint spraying.

Furthermore, to alleviate the problem of electricity shortages, the Group has decided to expand its electricity generating capability. With the additional generators in place, the Group will be able to minimize the impact of future electricity shortages. The Group has also been making use of different die-casting technologies to continue its product advancement for its aluminium, zinc and magnesium-based products, which will allow the Group to position itself for new customers and contracts in the coming years. To supplement these efforts the Group is committed to the continual recruitment of qualified design engineers and professional die-casting experts.

During 2003, the Group entered into an agreement to set up new production facilities in Shanghai. The move was to facilitate the provision of die-casting services. The facilities are currently under construction and are expected to commence operation during the first half of 2006. Upon their establishment, these new facilities will boost the Group's production capacity in three folds, thereby allowing the Group to cope with the ever-increasing demand of die-casting parts from its customers. The Group is confident in its goal of solidifying its position as a world-class company both in terms of the scale of production and quality of services rendered.

Looking ahead into 2005, the die-casting industry, particularly in the PRC, will continue to grow. The PRC's booming economy, its unrivalled geographical strengths and the advantage of cost effectiveness will continue to provide fresh momentum for foreign manufacturers to invest and produce within the country, a new manufacturing hub. The management believe these favorable market factors will definitely contribute to the continual success of the Group.

We take this opportunity to thank our customers, suppliers and shareholders, and all those who have contributed to the accomplishments of United Metals in the past year. With your unfaltering support and confidence, the Group will continue to move forward and grow.

Thomas Lau, Luen-hung

Chairman

Hong Kong, 8th April, 2005