

  
**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**

The Directors announce that on 20 February 2006, 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).

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 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 this announcement giving the right to attend and vote at a general meeting of the Company (if the Company were to convene one). A circular containing, among other things, further details of the Construction Agreements and the Future Agreements will be despatched to the Shareholders as soon as possible.

**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.

**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)) is to be 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.

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)) is to be 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

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 RM462,076 (equivalent to approximately HK\$444,304)) is to be 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.

**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) is to be 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);
- (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 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 9 months from the date of this announcement.

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.

## 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.

## 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 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 this announcement giving the right to attend and vote at a general meeting of the Company (if the Company were to convene one).

A circular containing, among other things, further details of the Construction Agreements and the Future Agreements will be despatched to the Shareholders as soon as possible.

## DEFINITIONS

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| "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));  |
| "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;  |
| "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;  |
| "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.), the wholly-owned subsidiary of the Company and the 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.  |

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

By order of the Board  
**UNITED METALS HOLDINGS LIMITED**  
**Thomas Lau, Luen-hung**  
Chairman

Hong Kong, 20 February 2006

As at the date of this announcement, the Board of Directors of the Company comprises Mr. Thomas Lau, Luen-hung, Mr. Tsang Chiu Wai, and Mr. Kong Cheuk Luen, Trevor as executive directors; Mr. Wong Wing Sing as non-executive director; and Mr. Lee Tho Siem, Mr. Wang Jianguo, and Mr. Loke Yu alias Loke Hoi Lam as independent non-executive directors.

\* for identification purpose only