


UNITED METALS HOLDINGS LIMITED
科鑄技術集團有限公司*

(Incorporated in the Cayman Islands with limited liability)

**PROPOSED ESTABLISHMENT OF NEW FACTORY
AND PRODUCTION PREMISES
ACQUISITION OF LAND USE RIGHTS**

The Directors are pleased to announce that on 12 December 2003, UMAM, the wholly-owned subsidiary of the Company, submitted an application to the PRC government for the establishment of the WFOE under the laws of the PRC for the purpose of establishing and operating the new factory and production premises located in Shanghai.

In connection with the above purpose, UMAM has entered into the Agreement with Shanghai Anting Economic Development Centre (上海安亭經濟發展中心), an independent third party not connected with the Directors, chief executives or substantial shareholders of the Company or its subsidiaries or any of their respective associates, to acquire the land use rights of a piece of land for a total consideration of approximately RMB7,283,000 payable in cash (equivalent to approximately HK\$6,860,000).

PROPOSED ESTABLISHMENT OF NEW FACTORY AND PRODUCTION PREMISES

In order to cope with the business growth of the Group and strengthen its competitive edge and market position, on 12 December 2003, UMAM, the wholly-owned subsidiary of the Company, submitted an application to the PRC government for an establishment of the WFOE to be named as United Metal Products (Shanghai) Co. Ltd. (科鑄金屬製品(上海)有限公司) under the laws of the PRC for the purpose of establishing and operating the new factory and production premises located in Shanghai. Particulars of the WFOE are as follows:-

Name	: United Metal Products (Shanghai) Co. Ltd. (科鑄金屬製品(上海)有限公司)
Investor	: UMAM
Total investment	: US\$29,980,000
Registered capital	: US\$12,000,000, 15% of which in the amount of US\$1,800,000 will be paid up within 3 months after its establishment and the remaining 85% of which in the amount of US\$10,200,000 will be paid up within 36 months after its establishment
Scope of business	: Producing and selling new alloy materials and die-casting parts and products together with providing after-sales services

The Group is under no obligation to invest in an amount up to the maximum total investment of US\$29,980,000 into the WFOE. The registered capital of the WFOE in the amount of US\$12,000,000 can be paid up by the Company by means of a combination of (i) internal resources generated by the Group; and (ii) the external funding such as banking facilities or loan from third parties. The balance of the total investment i.e. US\$17,980,000, will only be contributed into the WFOE in such amount and at such time as the Directors may consider necessary after considering the business development of the WFOE. If the funding is sufficient and the business development of the WFOE is considered to be beneficial to the Group, it is the intention of the Directors to increase the registered capital of the WFOE from US\$12,000,000 to US\$30,000,000, which will entitle the WFOE to enjoy additional tax benefits from the PRC government authorities.

The Directors are of the view that the establishment of the WFOE in Shanghai for the purpose of establishing and operating the new factory and production premises is to cope with the objective of expansion and enhancement of production facilities which is able to serve the Group's customers for the growth of its business. The WFOE will carry out export sales as well as domestic sales in the PRC, which currently has a growing demand in the Eastern region of the PRC. Therefore, it is consistent with the strategy for expansion of its business and exploration of the PRC domestic market and the Group's existing business and future plans and prospects.

ACQUISITION OF LAND USE RIGHTS

Date of the Agreement

12 December 2003

Parties

- (1) Shanghai Anting Economic Development Centre (上海安亭經濟發展中心), an independent third party not connected with the Directors, chief executives or substantial shareholders of the Company or its subsidiaries or any of their respective associates; and
- (2) UMAM, a wholly-owned subsidiary of the Company

Assets being acquired

The land use rights to be issued by Shanghai Jiading Housing and Land Management Bureau (上海市嘉定區房屋土地管理局) to a piece of land situate at Shanghai International Automobile City Spare Parts Assembly Industrial Zone (East Area) (上海國際汽車城零部件配套工業園區東部配套區). The aggregate site area of the land is approximately 110 mu, subject to the determination by Shanghai Jiading Housing and Land Management Bureau (上海市嘉定區房屋土地管理局) as to its actual site area. This land is to be used for industrial purposes and the land use rights of which shall be for a term of 50 years commencing from the commencement date of the business licence of the WFOE, which is expected to be issued after about 1 month from the date hereof.

The WFOE, after its successful establishment, which is expected to be completed after about 1 month from the date hereof, will acquire from UMAM all its rights, benefits and interests in and to the land use rights to the land.

Consideration

Approximately RMB7,283,000 (equivalent to approximately HK\$6,860,000).

Although there is no independent valuation of the land use rights to be acquired, the Directors confirm that the consideration was fair and reasonable and arrived at after arm's length negotiations by the parties and was determined with reference to the present economic and property market condition of Shanghai.

The acquisition of the land use rights is funded by the Group's internal resources generated by the Group and is consistent with the Group's existing business and future plans and prospects.

USE OF LISTING PROCEEDS

The Directors confirm that up to the date hereof, the net proceeds of approximately HK\$41.6 million from the listing of the shares of the Company on the Stock Exchange according to its prospectus dated 19 December 2002 have been applied as follows:-

- (1) as to approximately HK\$32.3 million for the purchases of production machinery to increase the capacity of die-casting process as well as the secondary finishing process;
- (2) as to approximately HK\$4.8 million for enhancing die tooling capacity and capability;
- (3) as to approximately HK\$2.4 million for the purchases of inspection equipment for quality checking and specification measurement of the Group's products;
- (4) as to approximately HK\$0.5 million for strengthening and expansion of sales and marketing activities; and
- (5) as to approximately HK\$1.6 million as general working capital of the Group.

GENERAL

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

As disclosed in the Company's prospectus dated 19 December 2002, the Directors confirm that the Group currently operates the following 2 production premises in Zhangmutou, Dongguan, the PRC:-

- (1) the production premises operated by Dongguan United Metal Products Co., Ltd. (東莞鏗利五金製品有限公司), a wholly foreign owned enterprise and a wholly-owned subsidiary of the Company, consisting of 2 blocks of factory buildings which occupy a total gross floor area of approximately 9,600 sq.m with its current utilisation rate of approximately 80%; and
- (2) the production premises operated under a processing agreement dated 20 March 2000 entered into between (i) Everhope Industrial Limited, a wholly-owned subsidiary of the Company; and (ii) Dongguan Zhangmutou Development Enterprises Company (東莞市樟木頭實業發展公司), a PRC processing agent and is beneficially owned by an independent third party not connected with the Directors, chief executives or substantial shareholders of the Company or its subsidiaries or any of their respective associates, consisting of 3 blocks of factory buildings which occupy a total gross floor area of approximately 7,000 sq.m with its current utilisation rate of approximately 80%.

The Directors believe that the establishment of the new factory and production premises in Shanghai and the acquisition of the said land use rights is in the interest of the Company and the shareholders of the Company as it can lead to an increase of its production capacity, expansion of its customer base and extension of its geographical coverage.

DEFINITIONS

"Agreement"	the agreement dated 12 December 2003 entered into between Shanghai Anting Economic Development Centre (上海安亭經濟發展中心) and UMAM in respect of the acquisition of the land use rights of a land located at Shanghai International Automobile City Spare Parts Assembly Industrial Zone (East Area) (上海國際汽車城零部件配套工業園區東部配套區);
"Company"	United Metals Holdings Limited, a company incorporated in the Cayman Islands and the securities of which are listed on the Stock Exchange;
"Directors"	the board of directors of the Company;
"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;
"RMB"	Renminbi, the lawful currency of the PRC;
"PRC"	the People's Republic of China;
"Stock Exchange"	The Stock Exchange of Hong Kong Limited;
"WFOE"	the wholly foreign owned enterprise and the wholly-owned subsidiary of the Company proposed to be established by the Group in the name of United Metal Products (Shanghai) Co. Ltd. (科鑄金屬製品(上海)有限公司) under the laws of the PRC;
"UMAM"	United Metals Asset Management Co., Ltd, a company incorporated in the British Virgin Islands with limited liability and a wholly owned subsidiary of the Company; and
"US\$"	United States dollars, the lawful currency of the United States of America.

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

Hong Kong, 12 December 2003

* for identification purpose only