



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)

LITIGATION INVOLVING A SUBSIDIARY OF THE COMPANY

This announcement is made pursuant to rule 13.09(1) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

United Metal Products (Shanghai) Co. Ltd. (科鑄金屬制品(上海)有限公司#) ("**United Shanghai**"), an indirect wholly-owned subsidiary of the Company, received a paper of civil judgment ((2007) Jia Min Yi (Min) Chu Zhi No. 744) issued by the People's Court of Shanghai Municipality Jiading District ("**Shanghai Court**") dated 17 October 2008 against United Shanghai for the sum of RMB5,370,777 together with interests in respect of the construction work of the Group's factory in Shanghai which has been stalled for no reason by the subcontractor, as previously disclosed in the annual report of the Company for the financial year ended 31 December 2007. The details of which are as follows:

1. Summary of the case

The case was filed by Shanghai Baosteel Engineering & Construction Corp. (上海寶鋼工程建設總公司#) ("**Plaintiff**") against United Shanghai for outstanding advance payment of RMB 2,130,000 and interests of RMB142,560; construction costs of RMB 937,500 and interests of RMB76,000; material costs and interests of RMB664,947 together with such other payments and interests of RMB123,053 due and payable by United Shanghai pursuant to a factory construction sub-contract entered into by the Plaintiff and United Shanghai on 17 January 2006 together with its supplement ("**Contract**"). United Shanghai disputed the claim as it has paid approximately 85% of the progress payment and the balances were not paid as the construction has yet to be inspected for acceptance by the relevant authority and the condition for payment was not fulfilled. In addition, United Shanghai was not satisfied with the quality of the first phase of construction and hence, the Plaintiff did not qualify to proceed with the second phase of construction. United Shanghai also counterclaimed against the Plaintiff for a sum of RMB2.1 million (which was calculated at the daily rate of RMB10,000 commencing from 25 September 2006 until 19 April 2007, which calculation was extended to the date of actual delivery of the construction site by the Plaintiff to United Shanghai), on the basis of that the Plaintiff has breached the Contract and the construction progress was substantially delayed, which resulted in the construction work ultimately being stalled.

2. Judgement

The Shanghai Court, as court of first instance, made the following judgement on 17 October 2008:

- (1) the Contract was terminated on 13 June 2008;
- (2) United Shanghai shall pay to the Plaintiff the construction costs for the sum of RMB3,870,777 within 10 days after the judgement becoming legally effective;

- (3) United Shanghai shall pay to the Plaintiff the penalty for breaching the Contract for the sum of RMB1,500,000 within 10 days after the judgement becoming legally effective;
- (4) the counterclaims by United Shanghai against the Plaintiff for the sum of RMB2,100,000 being penalty for breaching the Contract and for an order to terminate the supplemental agreement to the Contract were dismissed;
- (5) other claims by the Plaintiff against United Shanghai were dismissed; and
- (6) the Plaintiff shall be liable to pay RMB23,603.27 and United Shanghai shall be liable to pay RMB 49,395.44, being the relevant courts fees for this matter. The amount payable by United Shanghai shall be settled within 7 days after the judgement becoming legally effective.

Any delay in settlement of the judgement amounts shall be subject to interests in late payment.

Note: according to advice received by United Shanghai, the judgement will become legally effective if no appeal is made by United Shanghai within 15 days from the due receipt of the paper of judgement.

3. Appeal

United Shanghai has filed an appeal to the Second Intermediate People's Court of Shanghai against the above judgement on 30 October 2008. The outcome of the appeal is still pending.

Further announcement will be made to the public in due course should any material developments take place in relation to the abovementioned litigation.

On behalf of the Board
United Metals Holdings Limited
Tsang Chiu Wai
Chairman

Hong Kong, 31 October 2008

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

** For identification purpose only.*