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**China United**  
International Holdings Limited  
五聯控股有限公司

*(Incorporated in Hong Kong with limited liability)*

## **Connected transaction Disposal of China United Holdings Limited**

The Company announces that on 20th August, 2003, it has entered into the Agreement with the Purchaser whereby the Company has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase 10,000,000 shares of HK\$0.01 each in the capital of China United Bermuda, representing the entire issued share capital of China United Bermuda, for an aggregate consideration of HK\$10,000,000. Completion of the Agreement is conditional, amongst other things, upon the approval of the Disposal by the Independent Shareholders at an extraordinary general meeting of the Company.

The Purchaser is wholly owned by Mr. Chuang, a director of the Subsidiaries and Mr. Chuang is Mr. Chuang Yueheng, Henry's (the chairman of the Company) brother. The Purchaser is therefore considered to be a connected person of the Company under the Listing Rules. Accordingly, the Disposal constitutes a connected transaction for the Company under the Listing Rules. The transaction falls within Rule 14.26 of the Listing Rules and is subject to the approval by the Independent Shareholders at an extraordinary general meeting of the Company.

An Independent Board Committee has been set up to advise Independent Shareholders of the Company about the Disposal. An independent financial adviser will be appointed to advise the Independent Board Committee.

A circular with details of the Disposal, a letter of advice from the independent financial adviser, the recommendation of the Independent Board Committee, a valuation report on the properties held by China United Bermuda Group, a pro forma unaudited financial statement of the Remaining Group showing the effect of the Disposal, and the notice of the extraordinary general meeting will be sent to shareholders of the Company as soon as practicable.

After completion of the Agreement, the Remaining Group will lease or continue to lease the Leased Properties from the China United Bermuda Group. The Company has applied to the Stock Exchange for the Waiver subject to, inter alia, the annual aggregate rental for the Leases in each financial year of the Company not exceeding the higher of HK\$10 million or 3% of the consolidated net tangible assets of the Remaining Group as set out in the latest published financial statements of the relevant financial year. As the Leases fall within Rule 14.25(1) of the Listing Rules, no independent shareholders approval is required.

## **Agreement dated 20th August, 2003**

### *Parties*

Vendor: The Company.

Purchaser: Sunderland Properties Limited, a company incorporated in the British Virgin Islands and is beneficially held by Mr. Chuang.

### **Shares to be purchased**

10,000,000 shares of HK\$0.01 each in the capital of China United Bermuda, representing its entire issued share capital owned by the Company.

Following the completion of the Disposal, the Company will hold no interest in any of the shares in China United Bermuda Group.

### **Conditions**

Completion of the Agreement is conditional upon the following conditions being fulfilled by 31st October, 2003 or such other date as may be agreed between the parties in writing:

- (i) the approval by Independent Shareholders, by way of an ordinary resolution, at a general meeting of the Company to be convened and held to approve the Disposal; and
- (ii) the approval of the Bermuda Monetary Authority for the transfer of the shares in China United Bermuda to the Purchaser.

### **Date of completion**

Completion of the Disposal will take place on the next business day after the conditions of the Agreement have been fulfilled, or such other date as agreed between the Company and the Purchaser.

### **Consideration**

HK\$10,000,000 was paid on signing of the Agreement as a deposit. If the conditions are not fulfilled by 31st October, 2003 or such other date as the parties may agree, the deposit shall be returned to the Purchaser without interest.

The terms of the Agreement are negotiated at arm's length and are of normal commercial terms. The consideration for the Disposal was agreed after commercial negotiation between the Company and the Purchaser taking into account the financial position of China United Bermuda Group and that the unaudited net liabilities of China United Bermuda Group was approximately HK\$172.9 million as at 31st July, 2003. No shareholders loan has been made by the Remaining Group to China United Bermuda Group. None of the Remaining Group have provided any guarantee, indemnity or security for the benefit of the China United Bermuda Group. The Remaining Group is not required to obtain any consent other than those referred to in the section headed "Conditions" above in relation to the Disposal.

## Information on the China United Bermuda Group

For the year ended 31st December, 2001, the audited consolidated loss before and after taxation and exceptional items of China United Bermuda Group amounted to approximately HK\$355 million.

For the year ended 31st December, 2002, the audited consolidated loss before and after taxation and exceptional items of China United Bermuda Group amounted to approximately HK\$177 million and approximately HK\$187 million respectively.

For information only, for the seven months ended 31st July, 2003, the unaudited consolidated loss before and after taxation and exceptional items of China United Bermuda Group amounted to approximately HK\$106 million. For the seven months ended 31st July, 2003, the unaudited consolidated turnover of China United Bermuda Group was approximately HK\$14.1 million.

For information, based on the unaudited consolidated financial statements of China United Bermuda Group as at 31st July, 2003, the total assets of China United Bermuda Group was approximately HK\$235.9 million and the total liabilities of China United Bermuda Group was approximately HK\$408.8 million.

Set out below is a table listing the major assets owned by the China United Bermuda Group and certain information in relation to such assets:

Property Number	Property	Usage	Net book value* of the properties as at 31st December, 2002	Approximate outstanding mortgage amount as at 31st July, 2003
1.	Basement, Stamps Gallery, China United Centre, No. 28 Marble Road, North Point, Hong Kong	Partially investment (rental) Partially rented by the Remaining Group for office use	HK\$60 million	HK\$73.5 million
2.	Unit 1 on Ground Floor, Stamps Gallery, China United Centre, No. 28 Marble Road, North Point, Hong Kong	Investment (rental)	HK\$18 million	HK\$24.8 million
3.	Units 5 and 6 on Ground Floor, Stamps Gallery, China United Centre, No. 28 Marble Road, North Point, Hong Kong	Investment (rental)	HK\$14 million*	} HK\$67.3 million
4.	7th Floor, China United Centre, No. 28 Marble Road, North Point, Hong Kong	Investment (rental)	HK\$20 million*	

<b>Property Number</b>	<b>Property</b>	<b>Usage</b>	<b>Net book value* of the properties as at 31st December, 2002</b>	<b>Approximate outstanding mortgage amount as at 31st July, 2003</b>
5.	30th, 31st and 32nd Floor, China United Centre, No. 28 Marble Road, North Point, Hong Kong	Partially investment (rental) Partially rented by the Remaining Group for office use	HK\$91 million	HK\$118 million
6.	Unit Nos. 7 to 14, 44, 51 to 67 on First Floor, Hunghom Commercial Centre, Nos. 37-39 Ma Tau Wai Road, Hunghom, Kowloon	Investment (rental)	HK\$18 million	HK\$16.2 million
7.	Container Car Parking Space No. C1 on G/F, Lorry Car Parking Space Nos.L9, L23 and L34 on Ground Floor and Main Roofs B5-B12 and B21-B25 of Block B, Kong Nam Industrial Building, Nos. 603-609 Castle Peak Road, Tsuen Wan, New Territories	Investment (rental)	HK\$1.8 million	HK\$0.6 million
<b>Total</b>			<b>HK\$222.8 million</b>	<b>HK\$300.4 million</b>

\* Save and except for properties 3, 4 (which are investment properties), the valuation of which are based on their net realisable value, the investment properties referred to in the table above are valued on an open market value existing use basis and the leasehold property (property 5) referred to in the table above is valued on a cost less depreciation and impairment losses (which is the difference between the net realisable value and the carrying value of the property).

For information, based on the unaudited consolidated financial statement of China United Bermuda Group as at 31st July, 2003, the other assets of China United Bermuda Group comprised of current assets including cash and accounts receivable in the amount of approximately HK\$10.2 million.

The properties held by China United Bermuda Group represents approximately 80% of the total book value of the properties held by the Group, based on its financial statements of the Group for the year ended 31st December, 2002.

### **Reasons for and the Effects of the Disposal**

China United Bermuda Group is mainly involved in the business of property investment and investment holding.

The Company intends to concentrate on its primary line of business of investment in trading securities and provision of brokerage and financial services and retain property investment as its secondary line of business. It is a strategy of the Company to restructure its loss making business through the Disposal in order to improve its financial position. The Company expects that interest expense of the Remaining Group (after the Disposal) will be reduced. The proceeds of the Disposal will be used as general working capital of the Remaining Group. As at the date of this announcement, the Company has no intention to dispose of the other properties held by the Remaining Group.

The financial services business of the Group represents the majority of the turnover and accounts for approximately 95.8%% of the total turnover of the Group for the year ended 31st December, 2002. The asset value of the financial services business of the Group accounts for approximately 64.1% of the total assets of the Group based on the financial statements of the Group for the year ended 31st December, 2002. As the net liabilities of China United Bermuda Group was approximately HK\$172.9 million as at 31st July, 2003, the directors of the Company considers that completion of the Disposal will improve the net asset position of the Remaining Group.

The directors of the Company are of the opinion that the terms of the Disposal are fair and reasonable and are in the interest of the shareholders of the Company as a whole. The unaudited net profit of Disposal attributable to the Remaining Group is expected to be approximately HK\$183 million.

### **General**

The Purchaser is wholly owned by Mr. Chuang, a director of the Subsidiaries and Mr. Chuang is Mr. Chuang Yueheng, Henry's (the chairman of the Company) brother. The Purchaser is therefore considered to be a connected person of the Company under the Listing Rules. Accordingly, the Disposal constitutes a connected transaction for the Company under the Listing Rules. The transaction falls within Rule 14.26 of the Listing Rules and is subject to the approval by the Independent Shareholders at an extraordinary general meeting of the Company. Mr. Chuang, Mr. Chuang Yueheng, Henry and Radford and their respective associates will abstain from voting in respect of the Disposal.

An independent financial adviser will be appointed to advise the Independent Board Committee. The Independent Board Committee has been formed to consider the Disposal and make a recommendation to the Independent Shareholders.

The Company will send a circular to its shareholders as soon as practicable. The circular will contain further details of the Disposal, a letter of advice from the independent financial adviser, the recommendation of the Independent Board Committee, a valuation report on the properties held by China United Bermuda Group, a pro forma unaudited financial statement of the Remaining Group showing the effect of the Disposal, and a notice of extraordinary general meeting to be convened to approve the Disposal.

### **THE LEASES**

The Remaining Group will lease or continue to lease the following Leased Properties from the China United Bermuda Group at China United Centre, No. 28 Marble Road, North Point, Hong Kong, details of which are set out as follows:

<b>Address of Leased Properties</b>	<b>Leasee</b>	<b>Rental</b> <i>(per month)</i>	<b>Other charges</b>	<b>Term</b>
Shop 45, Basement, Stamps Gallery	Chung Nam Securities Limited	HK\$5,814.00	Inclusive <i>(note 1)</i>	16 May 03 - 15 Jun 04
Shop 42, Basement, Stamps Gallery	Chung Nam Securities Limited	HK\$33,066.00	Inclusive <i>(note 1)</i>	26 Sept 02 - 25 Oct 03
Room 2 at 30/F	Chung Nam Securities Limited	HK\$87,668.00	Exclusive <i>(note 2)</i>	1 Nov 02 - 31 Oct 05
Office A at 31/F	Chung Nam Holdings Limited	HK\$28,155.00	Exclusive <i>(note 3)</i>	1 Jan 02 - 31 Dec 03
Office B at 31/F	CU Corporate Finance Limited	HK\$28,155.00	Exclusive <i>(note 3)</i>	1 Jan 02 - 31 Dec 03
Office D at 31/F	Kam Kwong Company Limited	HK\$28,155.00	Exclusive <i>(note 3)</i>	1 Jan 02 - 31 Dec 03
The entire 32/F except Room 1	China United International Holdings Limited	HK\$100,000.00	Exclusive <i>(note 2)</i>	2 years from completion of the Agreement

*Note 1: inclusive of rates, government rent, management fee but excluding electricity charges*

*Note 2: exclusive of rates, management fees and air conditioning charges*

*Note 3: exclusive of rates and other outgoings*

The aggregate annual rental payable by the Remaining Group to the China United Bermuda Group in respect of the properties listed above is approximately HK\$3,732,156.00 (excluding of any rates, management fees, air conditioning charges and other outgoings).

### **The annual caps**

The annual aggregate rental under the Leases for each financial year will not exceed the higher of HK\$10 million or 3% of the consolidated net tangible assets of the Remaining Group as set out in the published financial statements of the relevant financial year.

### **Reasons for the Leases**

All of the above Leased Properties are currently used by the Remaining Group as office premises. The rental in relation to the Leased Properties are based on the respective prevailing market rate at the time of entering into the lease agreements in respect of the relevant Leased Properties. The Leases are and will be on normal commercial terms and are and will be in the ordinary and usual course of business of the Remaining Group and negotiated on arm's length basis.

### **WAIVER SOUGHT**

The Company expects that the Leases will continue on an ongoing basis and believes that it is in the commercial interests of the Remaining Group to enter into or continue with the Leases. On completion of the Agreement, the China United Bermuda Group will be wholly-owned by the Purchaser who is a connected person of the Company as explained

above and therefore the Leases constitute connected transactions for the Company under the Listing Rules and will normally be subject to disclosure requirements. The Company has applied to the Stock Exchange for a waiver from strict compliance with the requirements under Rule 14.25(1) in respect of the Leases subject to the following conditions:

1. the Leases are:
  - (a) entered into by the Remaining Group in the ordinary and usual course of business of the Remaining Group;
  - (b) conducted on normal commercial terms;
  - (c) entered into on terms that are fair and reasonable and are in the interest of the shareholders of the Company as a whole; and
  - (d) entered into either:
    - (i) in accordance with the terms of the agreements governing such transactions; or
    - (ii) where there is no such agreement, on terms no less favourable than the terms available to (or from, as appropriate) independent third parties.
2. the aggregate annual rental under the Leases for each of financial year will not exceed the higher of HK\$10 million or 3% of the consolidated net tangible assets of the Remaining Group as set out in the published financial statements of the relevant financial year;
3. brief details of the Leases in any financial year will be disclosed in the annual report of the Company relating to that year in accordance with the requirements under Rule 14.25(1)(A) to (D) of the Listing Rules;
4. the independent non-executive directors of the Company will review the Leases annually and confirm in the annual report of the Company of the relevant year that such transactions have been conducted in the manner as stated in paragraphs (1) and (2) above;
5. the auditors of the Company shall review annually the Leases and will provide a letter to the directors of the Company with a copy to the Stock Exchange confirming that:
  - (a) the Leases have been approved by the board of directors of the Company;
  - (b) the annual values of the Leases have not exceeded the relevant capped annual amounts as stipulated in paragraph (2) above;
  - (c) the Leases have been entered into in accordance with the terms of the agreements governing the Leases on terms no less favourable than terms available to or from independent third parties.

If any terms of the Leases as mentioned above are altered or if the Company enters into any new agreement with any connected persons (within the meaning of the Listing Rules) in the future, the Company will comply with the provisions of Chapter 14 of the Listing Rules governing connected transactions unless it applies for and obtains a separate waiver from the Stock Exchange.

The directors of the Company including the independent non-executive directors are of the opinion that the terms of the Leases including the rent payable are fair and reasonable and are in the interest of the shareholders of the Company as a whole.

## **DEFINITIONS**

“associates”	has the meaning ascribed thereto in the Listing Rules;
“Agreement”	the sale and purchase agreement between the Company and the Purchaser in relation to the Disposal;
“China United Bermuda”	China United Holdings Limited, a company incorporated in Bermuda and a wholly owned subsidiary of the Company;
“China United Bermuda Group”	China United Bermuda and its subsidiaries;
“Company”	China United International Holdings Limited, a company incorporated in Hong Kong, the shares of which are listed on the Stock Exchange;
“Disposal”	the sale of all the shares in China United Bermuda by the Company to the Purchaser;
“Group”	the Company and its subsidiaries (including the China United Bermuda Group);
“Independent Board Committee”	the independent committee comprising the independent non-executive directors of the Company;
“Independent Shareholders”	shareholders of the Company other than Radford, Mr. Chuang, Mr. Chuang Yueheng, Henry and their respective associates;
“Leased Properties”	the properties or part thereof located at the Basement, Stamps Gallery and 30th, 31st and 32nd Floor, China United Centre, No. 28 Marble Road, North Point, Hong Kong, with a total floor area of 25,919.50 square feet and as described in the column headed “Address of Leased Properties” in the table in the paragraph headed “The Leases” of this Announcement;



“Leases”	the leases by the Remaining Group from China United Bermuda Group of the Leased Properties upon completion of the Agreement;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Mr. Chuang”	Mr. Chuang Yue-chien, Eugene, brother of Mr. Chuang Yueheng, Henry, the Chairman of the Company and holding 12,000 shares in the Company representing approximately 0.005% of the issued share capital of the Company;
“Purchaser”	Sunderland Properties Limited, a company incorporated in the British Virgin Islands, which is wholly and beneficially held by Mr. Chuang;
“Radford”	Radford Developments Limited, a company incorporated in the British Virgin Islands which is controlled by a trust of which the son of Mr. Chuang Yueheng, Henry, the chairman of the Company, is currently named as the sole beneficiary and which is also a substantial shareholder of the Company holding 67,486,180 shares in the Company representing approximately 27.46% of the issued share capital of the Company;
“Remaining Group”	the Group other than China United Bermuda Group;
“Subsidiaries”	China United Securities Services Limited, Grand Wishes Limited, Hennabun Management Inc., CU Corporate Finance Limited and Hennabun Investment Limited, all being subsidiaries of the Company; and
“Waiver”	a waiver application from strict compliance with the disclosure requirements as set out in Chapter 14 of the Listing Rules in respect of the Leases.

By order of the board of  
**China United International Holdings Limited**  
**Chuang Yueheng, Henry**  
*Chairman*

Hong Kong, 20th August, 2003

Please also refer to the published version of this announcement in The Standard.