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China United
International Holdings Limited
互聯控股有限公司

(Incorporated in Hong Kong with limited liability)

DISCLOSEABLE TRANSACTION

The Board has been informed by HMI that the HMI Subscription Agreement was entered into on 10th October, 2003 and the proceed for the subscription of first tranche new HMI Shares has been received.

The HMI Subscription will be carried out in three tranches, please refer to the section headed “Number of HMI Shares to be subscribed” below for details. The aggregate consideration for the HMI Subscription of up to HK\$83.3 million will be satisfied by cheque(s) or cashier order(s) issued by a licensed bank in Hong Kong on or before the respective completion dates (or such other date the parties may mutually agree).

The HMI Subscription constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules. A circular containing, among other things, details of the HMI Subscription will be despatched to the Shareholders as soon as practicable.

Trading in the Shares has been suspended at the request of the Company with effect from 2:30 p.m. on Monday, 13th October, 2003 pending the release of this announcement. An application has been made to the Stock Exchange for resumption in trading of the Shares with effect from 9:30 a.m. on Thursday, 16th October, 2003.

THE HMI SUBSCRIPTION AGREEMENT

Parties

Subscriber: Top Result

Issuer: HMI, a non wholly-owned subsidiary of the Company currently owned as to (i) approximately 0.59% by Forever Good; (ii) approximately 5.95% by Equity Spin; (iii) approximately 5.95% by Skytop; and (iv) approximately 87.51% by the Company through CUSSL

Top Result and its beneficial owner (Golden Resources Development International Limited) are independent third parties and are not connected persons of the Company as defined under the Listing Rules.

Number of HMI Shares to be subscribed

HMI has agreed to allot and issue and Top Result has agreed to subscribe up to 33,320,000 new HMI Shares in three tranches at an aggregate consideration of up to HK\$83.3 million. The subscription details are as follows:

	Number of new HMI Shares	Consideration <i>HK\$</i>	Completion date on or before
First tranche	10,000,000	25,000,000	10th October, 2003
Second tranche	10,000,000	25,000,000	20th October, 2003
Third tranche	<u>13,320,000</u>	<u>33,300,000</u>	30th October, 2003
Total	<u>33,320,000</u>	<u>83,300,000</u>	

Top Result has the right but not the obligation to subscribe for any or all of the three tranches of the new HMI Shares. HMI has no right to enforce Top Result to subscribe for the second and third tranches new HMI Shares. The new HMI Shares shall on issue rank pari passu in all respects with the then existing issued HMI Shares. Upon the completion of the HMI Subscription, HMI will still be a subsidiary of the Company.

The shareholding structure of HMI immediately before and after completion of the HMI Subscription is as follows:

	Existing		After completion of subscription of first tranche new HMI Shares		After completion of subscription of first and second tranches new HMI Shares		After completion of subscription of first to third tranches new HMI Shares	
	<i>Number</i>	<i>%</i>	<i>Number</i>	<i>%</i>	<i>Number</i>	<i>%</i>	<i>Number</i>	<i>%</i>
Forever Good	1,000,000	0.59	1,000,000	0.57	1,000,000	0.52	1,000,000	0.50
Equity Spin	10,000,000	5.95	10,000,000	5.61	10,000,000	5.32	10,000,000	4.96
Skytop	10,000,000	5.95	10,000,000	5.61	10,000,000	5.32	10,000,000	4.96
CUSSL	147,133,334	87.51	147,133,334	82.60	147,133,334	78.21	147,133,334	73.04
Top Result	—	—	10,000,000	5.61	20,000,000	10.63	33,320,000	16.54
Total	<u>168,133,334</u>	<u>100.00</u>	<u>178,133,334</u>	<u>100.00</u>	<u>188,133,334</u>	<u>100.00</u>	<u>201,453,334</u>	<u>100.00</u>

Consideration for the HMI Subscription

The aggregate consideration for the HMI Subscription of up to HK\$83.3 million will be satisfied by cheque(s) or cashier order(s) issued by a licensed bank in Hong Kong on or before the respective completion dates (or such other date the parties may mutually agree). HMI received the proceeds on 10th October, 2003 for the subscription of first tranche new HMI Shares and the first tranche subscription was completed accordingly on 10th October, 2003.

The consideration for the HMI Subscription was arrived at after arm's length negotiations between HMI and Top Result. The Board considers that the HMI Subscription Agreement was entered into on normal commercial terms which are fair and reasonable and

are in the interests of the Company and the Shareholders as a whole taking into account of the unaudited consolidated net assets value per HMI Share of approximately HK\$2.21 as at 31st July, 2003 and the subscription price of HK\$2.50 per HMI Share under the HMI Subscription.

Conditions and completion of the HMI Subscription

Completion of subscription of each tranche new HMI Shares is conditional upon the fulfilment of the following conditions on or before the respective completion dates (or such other date as the parties may mutually agree):

Top Result being satisfied upon its own investigation on the following:

- (a) the financial positions of HMI and each member of HMI and its subsidiaries as at the date of the HMI Subscription Agreement are substantially the same as attached to the HMI Subscription Agreement and there will not be any material adverse changes in their respective financial positions up to the completion dates;
- (b) HMI is the sole beneficial owner of the entire issued share capital of its subsidiaries free from all encumbrances and that the information set out in the corporate chart as attached to the HMI Subscription Agreement is true and correct;
- (c) the articles of association of HMI has been amended to appoint its existing director to be its permanent managing director to be held responsible for the overall operation of HMI; and
- (d) the warranties set out in the HMI Subscription Agreement are true and correct.

Completion shall take place on the next business day after the date on which all of the conditions to the HMI Subscription Agreement are satisfied or waived (or such other date as the parties may mutually agree).

As at the date of this announcement, the precedent conditions stated aforesaid have been fulfilled and the subscription of first tranche new HMI Shares has been completed accordingly. Top Result will review the above conditions prior to the completion of subscription of each of second and third tranches new HMI Shares.

If any of the above conditions as specified in the HMI Subscription Agreement has not been fulfilled (or waived by Top Result) or Top Result has not exercised its right of subscription of the new HMI Shares on or before 31st October, 2003, the HMI Subscription Agreement shall become null and void and of no legal effect save and except for the subscription of new HMI Shares already completed on or prior to 31st October, 2003.

As at the date of this announcement, there is only one director in HMI. Top Result will not introduce any new directors to HMI and there will be no change to the director of HMI upon the completion of the HMI Subscription.

INFORMATION ON THE GROUP AND HMI

The Group is principally engaged in the business of investment in trading securities, provision of brokerage and financial services and property investment. HMI is principally engaged in the business of investment in trading securities, and provision of brokerage and financial services.

Set out below is the financial information of HMI in accordance with its latest audited consolidated accounts:

	Audited Year ended 31st December 2002	Audited Year ended 31st December 2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net profit / (loss) before taxation	17,005	(3,802)
Net profit / (loss) after taxation	6,993	(3,717)
Net assets value	346,144	204,316

REASONS FOR THE HMI SUBSCRIPTION AND USE OF PROCEEDS

Through the HMI Subscription, HMI will be able to obtain additional working capital to finance its further development and expansion such as margin financing, if opportunity arises.

The aggregate net proceeds from the HMI Subscription of approximately HK\$83 million will be used as the general working capital of HMI.

FINANCIAL EFFECT ON THE COMPANY

The HMI Subscription results in a deemed disposal by the Company of its interest in HMI. Set out below is the proforma gain of the Company resulting from the completion of the subscription of the respective tranches of new HMI Shares:

After completion of subscription of	Profit attributable to the Company
	<i>HK\$'000</i>
First tranche new HMI Shares	2,422
First and second tranches new HMI Shares	4,579
First to third tranches new HMI Shares	7,123

GENERAL

The HMI Subscription constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules.

CU Corporate Finance Limited, a non-wholly owned subsidiary of the Company has been appointed as the financial adviser to the Company for the preparation of this announcement and the related circular for a fee of HK\$250,000 and is deemed to be a connected person to the Company pursuant to the Listing Rules. The Board considers that the fee is on normal commercial terms and is fair and reasonable. As the fee to be paid to the financial adviser is lower than HK\$1 million and therefore is exempted from any disclosure requirements pursuant to Rule 14.24(5) of the Listing Rules.

A circular containing, among other things, details of the HMI Subscription will be despatched to the Shareholders as soon as practicable.

Trading in the Shares has been suspended at the request of the Company with effect from 2:30 p.m. on Monday, 13th October, 2003 pending the release of this announcement. An application has been made to the Stock Exchange for resumption in trading of the Shares with effect from 9:30 a.m. on Thursday, 16th October, 2003.

DEFINITIONS

“Board”	board of directors of the Company
“Company”	China United International Holdings Limited
“CUSSL”	China United Securities Services Limited, a limited liability company incorporated in the British Virgin Islands and an indirect wholly owned subsidiary of the Company
“Equity Spin”	Equity Spin Investments Limited, a subsidiary of Hansom Eastern (Holdings) Limited whose shares are listed on the Stock Exchange
“Forever Good”	Forever Good Investments Limited, a subsidiary of Hong Kong Pharmaceutical Holdings Limited whose shares are listed on the Stock Exchange
“Group”	the Company and its subsidiaries
“HMI”	Hennabun Management Inc., a limited liability company incorporated in the British Virgin Islands and a non-wholly owned subsidiary of the Company through CUSSL
“HMI Share(s)”	share(s) of US\$0.10 each in the capital of HMI
“HMI Subscription”	the subscription of up to 33,320,000 new HMI Shares in three tranches at an aggregate consideration of up to HK\$83.3 million pursuant to the HMI Subscription Agreement
“HMI Subscription Agreement”	the conditional subscription agreement dated 10th October, 2003 entered into between HMI and Top Result in relation to the HMI Subscription

“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Shareholders”	holders of Shares
“Shares”	shares of HK\$0.10 each in the Company
“Skytop”	Skytop Technology Limited, a subsidiary of China Sci-Tech Holdings Limited whose shares are listed on the Stock Exchange
“Top Result”	Top Result International Limited, a limited liability company incorporated in the British Virgin Islands, a subsidiary of Golden Resources Development International Limited whose shares are listed on the Stock Exchange
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

By order of the Board
Chung Wilson
Managing Director

Hong Kong, 15th October, 2003

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