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

(Incorporated in Hong Kong with limited liability)

Financial Adviser



CU Corporate Finance Limited
CONNECTED TRANSACTION

On 2nd December 2003, the Company entered into the S&P Agreement with HMI to purchase, or procure a wholly-owned subsidiary to purchase, a total of 200,000,000 Radford Investment Shares at HK\$0.12 each.

As HMI is a non wholly-owned subsidiary of the Company, the purchase of Radford Investment Shares pursuant to the S&P Agreement constitutes a connected transaction for the Company under Chapter 14 of the Listing Rules.

General

Approval from the Shareholders is required for the connected transaction. A circular containing details of the connected transaction and the notice of the EGM together with an opinion of an independent financial adviser on the connected transaction will be despatched to the Shareholders as soon as practicable.

S&P AGREEMENT

Number of Radford Investment Shares to be purchased

Pursuant to the S&P Agreement, the Company has conditionally agreed to purchase, or procure a wholly-owned subsidiary to purchase, a total of 200,000,000 Radford Investment Shares, representing approximately 19.77% of the existing issued share capital of Radford Investment, from HMI.

Purchase price

HK\$0.12 per Radford Investment Share. The purchase price was agreed at after arm's length negotiations between the Company and HMI. The Board considers that the purchase price is fair and reasonable, taking into account of the unaudited consolidated net assets value per Radford Investment Share of approximately HK\$0.134 as at 31st October 2003 as stated in the announcement of Radford Investment dated 6th November 2003.

The purchase price of HK\$0.12 per Radford Investment Share represents (i) a premium of approximately 48.15% to the closing price of HK\$0.081 per Radford Investment Share as quoted on the Stock Exchange on 2nd December 2003; and (ii) a premium of approximately 25.39% to the average closing price of HK\$0.0957 per Radford Investment Share as quoted on the Stock Exchange from 19th November 2003 to 2nd December 2003, both dates inclusive, being the last ten full trading days immediately before and up to the date of this announcement. As it is not practicable to purchase 200,000,000 Radford Investment Shares on the Stock Exchange at one time, the Company has entered into the S&P Agreement with HMI. The Board believes that the recent depressed price of Radford Investment as quoted on the Stock Exchange is only a short-term fluctuation and there may be medium to long-term appreciation on the share price of Radford Investment, therefore the Board considers the purchase price to be reasonable although it is at a premium to the share price of Radford Investment as quoted on the Stock Exchange.

Consideration

The total consideration for the purchase of the Radford Investment Shares will be approximately HK\$24 million payable in cash upon satisfaction of the condition under the section headed “Condition of the S&P Agreement” below and will be financed by internal financial resources of the Company.

Reason for the purchase and use of proceeds

By entering into the S&P Agreement, HMI will be able to make use of the proceeds to repay part of the collateral loan secured by the relevant Radford Investment Shares and the Company will be able to acquire an investment at a discount to its unaudited consolidated net assets value. As the proceeds of approximately HK\$24 million from the S&P Agreement is not able to repay in full of the relevant part of the collateral loan of approximately HK\$25 million, HMI has agreed to negotiate with the relevant creditor regarding the release of the pledged Radford Investment Shares.

The Board considers that the entering into of the S&P Agreement is to be benefit of the Company and the Shareholders as a whole taking into account of the purchase price of HK\$0.12 per Radford Investment Share and the unaudited consolidated net assets value per Radford Investment Share of approximately HK\$0.134 as at 31st October 2003.

As at the date of the announcement, Radford Investment held 14,790,000 Shares, representing approximately 4.01% of the existing issued share capital of the Company, 30 convertible notes of the Company in denominations of HK\$168,000 each convertible into Shares at HK\$1.48 each and 1,972,000 units of warrants of the Company carrying subscription rights to subscribe in cash for new Shares at an initial subscription price of HK\$0.38 each. Radford Investment has no present intention to convert those convertible notes and warrants and will abstain from voting at the EGM.

Condition of the S&P Agreement

Completion is conditional upon the Shareholders approving the S&P Agreement at the EGM.

The S&P Agreement will lapse if the condition is not satisfied by 31st January 2004 unless the parties agree otherwise. The rights and obligations of the parties shall cease on termination and the parties have no further claims to each other, save for antecedent breaches.

Completion

Two Business Days after satisfaction of the condition under the paragraph headed “Condition of the S&P Agreement” above.

CONNECTED TRANSACTION

As HMI is a non wholly-owned subsidiary of the Company, the purchase of Radford Investment Shares pursuant to the S&P Agreement constitutes a connected transaction for the Company under Chapter 14 of the Listing Rules and is subject to the disclosure, reporting and independent Shareholders’ approval requirements. As at the date of this announcement, HMI and its subsidiaries did not hold any Shares. The Company will make arrangements to check with the existing shareholders of HMI and will request them to abstain from voting at the EGM if they hold any Shares.

The Company has appointed the Financial Adviser to prepare and clear the required press announcement, circular for the transaction detailed in this announcement on its behalf at a documentation fee of HK\$180,000, which is on normal commercial terms. Such documentation fee shall be financed by the internal financial resources of the Company. The Financial Adviser is an indirect non-wholly owned subsidiary of the Company. Therefore, the Financial Adviser is deemed to be a connected person to the Company under the Listing Rules. As the fee to be paid to the Financial Adviser is lower than HK\$1 million, the agreement to pay such fee is exempted from disclosure requirement under rule 14.24(5) of the Listing Rules.

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 existing shareholding structure of HMI:

	Existing	
	Number	%
Forever Good	1,000,000	0.43
Equity Spin	10,000,000	4.35
Skytop	10,000,000	4.35
CUSSL	147,133,334	63.93
Top Result	40,000,000	17.38
Active Chance	<u>22,000,000</u>	<u>9.56</u>
Total	<u><u>230,133,334</u></u>	<u><u>100.00</u></u>

INFORMATION ON RADFORD INVESTMENT

Radford Investment and its subsidiaries are principally engaged in investments in listed or unlisted enterprises established and/or conducting business in Hong Kong and/or the People's Republic of China.

The audited consolidated loss of Radford Investment for the period from 14th August 2001 (the date of incorporation) to 31st December 2002 as extracted from its annual report 2002 is approximately HK\$40 million.

Set out below is the shareholding structure of Radford Investment:

	Existing		After completion of S&P Agreement	
	Number	%	Number	%
HMI	237,080,000	23.44	37,080,000	3.67
Company	—	—	200,000,000	19.77
Public shareholders	<u>774,480,000</u>	<u>76.56</u>	<u>774,480,000</u>	<u>76.56</u>
Total	<u><u>1,011,560,000</u></u>	<u><u>100.00</u></u>	<u><u>1,011,560,000</u></u>	<u><u>100.00</u></u>

GENERAL

Approval from the independent Shareholders is required for the connected transaction at the EGM. The Company will appoint an independent financial adviser to express an opinion on the connected transaction. A circular containing details of the connected transaction and the notice for the EGM together with the opinion of the independent financial adviser on the connected transaction will be despatched to the Shareholders as soon as practicable.

DEFINITIONS

“Active Chance”	Active Chance Limited, a subsidiary of Beauforte Investors Corporation Limited whose shares are listed on the Stock Exchange
“Board”	the board of directors of the Company
“Business Day”	a day on which banks are generally open for business for more than five hours in Hong Kong
“Company”	China United International Holdings Limited, a limited liability company incorporated in Hong Kong, the securities of which are listed on the Stock Exchange
“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
“EGM”	the extraordinary general meeting of the Company to be convened to approve the matter referred to herein
“Equity Spin”	Equity Spin Investments Limited, a subsidiary of Hansom Eastern (Holdings) Limited whose shares are listed on the Stock Exchange
“Financial Adviser”	CU Corporate Finance Limited, a limited liability company incorporated in Hong Kong and a deemed licensed corporation registered under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), an indirect non-wholly owned subsidiary of the Company
“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 an indirect non-wholly owned subsidiary of the Company
“Radford Investment”	Radford Capital Investment Limited, a limited liability company incorporated in the Cayman Islands, the securities of which are listed on the Stock Exchange
“Radford Investment Share(s)”	share(s) of HK\$0.02 each in the capital of Radford Investment to be purchased by the Company pursuant to the S&P Agreement

“Share(s)”	share(s) of HK\$0.10 each in the capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Skytop”	Skytop Technology Limited, a subsidiary of China Sci-Tech Holdings Limited whose shares are listed on the Stock Exchange
“S&P Agreement”	the conditional sales and purchase agreement between the Company and HMI dated 2nd December 2003 in relation to the purchase of the Radford Investment Shares
“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

By order of the Board
CHINA UNITED INTERNATIONAL HOLDINGS LIMITED
Chung Wilson
Managing Director

Hong Kong, 2nd December 2003

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