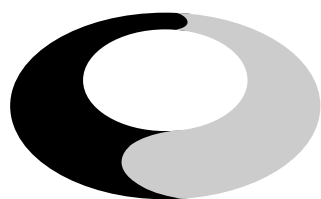


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China United
International Holdings Limited

互聯控股有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 273)

CONNECTED TRANSACTION

On 31st May, 2005, Mr. Eugene Chuang and Leapfly entered into the Option Deed whereby, upon payment of the Consideration by Leapfly to Mr. Eugene Chuang, Mr. Eugene Chuang agreed conditionally to grant to Leapfly an option to require Mr. Eugene Chuang to sell to Leapfly the Option Shares at the Option Price during the Option Period. The grant of the Call Option is conditional upon the proper establishment and incorporation of the JV in the PRC and the delivery of an approved certificate and business licence for the JV issued by the relevant authorities in the PRC in form and substance satisfactory to Leapfly.

Mr. Eugene Chuang is the brother of the chairman of the Company, Mr. Henry Chuang. Mr. Zhuang is Mr. Eugene Chuang and Mr. Henry Chuang's cousin. Mr. Zhuang and Mr. Eugene Chuang are both Connected Persons of the Company.

The Option Deed constitutes a connected transaction for the Company under Rule 14A.32 of the Listing Rules. As the percentage ratios in respect of the Option Deed are less than 25% and the total consideration is less than HK\$10,000,000, the Option Deed is exempt from independent shareholders approval requirements pursuant to rule 14A.32 of the Listing Rules. However, the Company will be required to comply with the reporting and announcement requirements under Rules 14A.45 to 14A.47 of the Listing Rules.

In addition, further to the announcements of the Company dated 12th November, 2004 and 5th August, 2004, the Company is still in negotiation in relation to the possible joint venture to acquire Jinri, one of the authorized dealers of Nissan Motor (China) Company Limited in Tianjin for the distribution of different series of Nissan motor that are produced in Japan and the PRC.

THE OPTION DEED

Date: 31st May, 2005

Parties to the Agreement: Leapfly, a wholly-owned subsidiary of the Company
Mr. Eugene Chuang

The Call Option

Upon payment of the Consideration of HK\$7,142,857 (equivalent to approximately RMB7,500,000) by Leapfly to Mr. Eugene Chuang, Mr. Eugene Chuang agreed to conditionally grant to Leapfly a Call Option exercisable at any time during the Option Period to require Mr. Eugene Chuang to sell to Leapfly the Option Shares at the Option Price. The Consideration was paid on signing of the Option Deed to Mr. Eugene Chuang and in the event that the Conditions are not satisfied on the Long Stop Date, Mr. Eugene Chuang shall return the Consideration without interests to Leapfly on the next business day after the Long Stop Date.

Conditions

The grant of the Call Option is conditional upon the proper establishment and incorporation of the JV in the PRC and the delivery of an approved certificate and business licence for the JV issued by the relevant authorities in the PRC in form and substance satisfactory to Leapfly.

If the conditions are not satisfied by 31st August, 2005, the Option Deed shall terminate and the parties shall have no obligations against each other save for antecedent breaches and Mr. Eugene Chuang's obligation to return the Consideration to Leapfly without interests.

If the conditions are satisfied by 31st August, 2005, the grant of the Call Option will become effective and the Consideration of HK\$7,142,857 will not be returned to Leapfly. In the event that the Company decides not to proceed with the investment in the JV and does not exercise the Call Option, the Consideration of HK\$7,142,857 will not be returned to Leapfly.

Net Asset Value Guarantee

In the event that the net asset value of the JV attributable to Mr. Eugene Chuang's proportionate shareholding in the JV based on the Option Shares as set out in the latest audited account of the JV at the time of exercise of the Call Option is less than the RMB7,500,000, Mr. Eugene

Chuang shall pay an amount equal to the shortfall between RMB7,500,000 and the Attributable NAV on a dollar for dollar basis in HK dollars at the exchange rate of HK\$1.00 = RMB1.05 up to HK\$1,000,000 to Leapfly on completion of the exercise of the Call Option.

Additional Agreement and Undertakings

Under the Option Deed, Mr. Eugene Chuang agreed that subject to the satisfaction of the Conditions:–

- (i) that until the expiry of the Option Period, he will pay all dividends received by him in the JV to Leapfly forthwith upon receipt with effect from the date on which the Conditions are satisfied;
- (ii) he will procure the appointment of at least one representative nominated by Leapfly to the board of directors of the JV and if he resigns as a director of the JV, he shall procure that another person nominated by Leapfly is appointed in his place; and
- (iii) that until the expiry of the Option Period, Mr. Chuang shall not without the prior written consent of Leapfly, acquire further shares or interests in the JV or dispose of any of the Option Shares.

The JV

The JV is a joint venture company to be established in the PRC. A joint venture agreement between Mr. Zhuang and Mr. Eugene Chuang was signed on 28th May, 2005. Pursuant to this agreement, Mr. Zhuang and Mr. Eugene Chuang will each hold RMB7,500,000 of the registered capital of the JV. Mr. Eugene Chuang will contribute his portion of the registered capital in cash. The business scope of the JV includes repairing, maintenance, re-conditioning and refinishing of motor vehicles as well as related technical support. The term of the JV is to be 15 years. Dividends of the JV are to be shared between Mr. Zhuang and Mr. Eugene Chuang pro-rata to their shareholding in the JV. All distributions to be made by the JV (if any) are to be decided at the sole discretion of the board of directors of the JV. Mr. Zhuang and Mr. Eugene Chuang have the right to nominate 3 and 2 directors respectively to the board of directors of the JV. Mr. Zhuang and Mr. Eugene Chuang will be nominated as directors of the JV initially. As the JV has not been set up, it does not have any financial statements.

Mr. Zhuang's contribution to the registered capital of the JV will be in the form of selected assets owned by him in Ning Fa (including, among other things, machinery, equipment and the licence from General Motors as the authorized service center of General Motors in Tianjin) and cash if the asset value is insufficient. The authorized service center licence from General Motors does not have an expiry date and can be revoked by General Motors. The Company understands from Mr. Zhuang that no consent is required to transfer the licence, however, Mr. Zhuang is required to give notice to General Motors for such transfer. Ning Fa is a sole proprietary entity wholly owned and operated by Mr. Zhuang. Ning Fa is principally engaged in the provision of repair and maintenance services for local manufactured and imported automobiles and is an authorized service center for General Motors in Tianjin.

The Consideration is determined based on the total registered capital of the JV upon incorporation and is equivalent to the amount of cash to be contributed by Mr. Eugene Chuang to the JV. As stated above, if the conditions (i.e. the proper establishment and incorporation of the JV in the PRC and the delivery of an approved certificate and business licence for the JV issued by the relevant authorities in the PRC in form and substance satisfactory to Leapfly) are not satisfied before the Long Stop Date, Mr. Eugene Chuang shall repay the Consideration without interests to Leapfly on the next business day after the Long Stop Date. The Consideration will be funded by internal resources and borrowings.

REASONS FOR THE TRANSACTION

Reference is made to the Company's announcements dated 5th August, 2004 and 12th November, 2004. The Company was involved in negotiating with Mr. Zhuang on the joint venture agreement in relation to the JV since August, 2004. Mr. Eugene Chuang, the special advisor to Mr. Henry Chuang, the Chairman of the Company was also aware of the negotiations with Mr. Zhuang. Given the protracted discussions between the Company and Mr. Zhuang, the Company understands from Mr. Zhuang that there is a possibility that Mr. Zhuang may seek other joint venture partners. However, the Company, being a listed company, requires more time to consider and to decide whether or not to proceed with an investment in the JV. The Company discussed with Mr. Eugene Chuang, who sees a potential in the JV and Mr. Eugene Chuang agreed to enter into the JV agreement with Mr. Zhuang to secure the JV investment first and to grant the Call Option to the Company (given its efforts in having identified this possible investment). In the context of the arrangements described above and the fact that (a) the Company will be entitled to all distributions made by the JV after the date in which all the Conditions of the Option Deed are satisfied and until the expiry of the Option Period; (b) the HK\$1,000,000 Attributable NAV guarantee from Mr. Eugene Chuang as described above, the

Company has agreed to pay the Consideration being an amount equal to Mr. Eugene Chuang's share of capital contribution to the registered capital of the JV. If the Company should decide not to exercise the Call Option, the Consideration paid will not be refunded to it.

The Board considers that the Option Deed provides a good opportunity of the Group to diversify its present investments in the PRC. Mr. Zhuang has operated Ning Fa since 1995. With his experience, background and network as a JV partner and with the injection of cash contribution, the selected assets of Ning Fa (including, among other things, the licence from General Motors as the authorized service center of General Motors in Tianjin) into the JV, the Board believes that the JV will be competitive in the market. Taking into account of the current economy of the PRC and the improvement in the living standard in the PRC, the Board believes that the JV has potential for growth and expansion.

The Directors (including the independent non-executive directors) are of the view that the Option Deed is fair and reasonable and is on normal commercial terms and in the interest of the Company and shareholders as a whole.

UPDATE ON POSSIBLE JOINT VENTURE

Further to the announcements of the Company dated 12th November, 2004 and 5th August, 2004, the Company is still in negotiation in relation to the possible joint venture to acquire Jinri, one of the authorized dealers of Nissan Motor (China) Company Limited in Tianjin for the distribution of different series of Nissan motor that are produced in Japan and the PRC. Further announcement(s) will be made as and when appropriate, and the Company will comply with the relevant Listing Rules where applicable.

GENERAL INFORMATION

Mr. Eugene Chuang is the brother of Mr. Henry Chuang, the chairman of the Company. Mr. Zhuang is Mr. Eugene Chuang and Mr. Henry Chuang's cousin. Mr. Zhuang and Mr. Eugene Chuang are both Connected Persons of the Company. The Option Deed constitutes a connected transaction from the Company and falls within Rule 14A.32 of the Listing Rules. As the percentage ratios in respect of the Option Deed is less than 25% and the total consideration are less than HK\$10,000,000, the Option Deed is exempt from independent shareholders approval requirements pursuant to rule 14A.32 of the Listing Rules. However, the Company will be required to comply with the reporting and announcement requirements under Rules 14A.45 to 14A.47 of the Listing Rules.

The Group is principally engaged in investment holdings. The principal activities of the Group include property investments, investment holdings, investment in trading securities and provision of brokerage and financial services.

DEFINITIONS

The following terms are used in this announcement within the meanings set opposite them:–

“Attributable NAV”	the net asset value of the JV attributable to Mr. Eugene Chuang’s proportionate shareholding in the JV based on the Option Shares as set out in the latest audited accounts of the JV at the date of the exercise of the Call Option;
“Call Option”	the call option exercisable by Leapfly to require Mr. Eugene Chuang to sell to Leapfly the Option Shares at the Option Price during the Option Period;
“Company”	China United International Holdings Limited, a company incorporated in Hong Kong, whose shares are listed on the Stock Exchange;
“Conditions”	the conditions for the grant of the Call Option referred to in the section headed “Conditions” above;
“Connected Person(s)”	has the meaning ascribed thereto in the Listing Rules;
“Consideration”	HK\$7,142,857 (equivalent to approximately RMB7,500,000 at the exchange of HK\$1.00 = RMB1.05);
“Directors”	the directors of the Company;
“Group”	the Company and its subsidiaries;
the “JV”	天津市凱聲汽車維修有限公司 (Tianjin Kai Sheng Automobile Service Co. Ltd.), a joint venture company to be established in the PRC;
“Jinri”	Tianjin Jinri Automobile Sale & Service Company Limited;

“Leapfly”	Leapfly Limited, a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of the Company;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Long Stop Date”	31st August, 2005 or such other date as the parties may agree;
“Mr. Eugene Chuang”	Mr. Chuang Yue-Chien, Eugene;
“Mr. Henry Chuang”	Mr. Chuang Yueheng, Henry;
“Mr. Zhuang”	Mr. Zhuang You Dao;
“Ning Fa”	天津市寧發進口汽車維修中心 Tianjin Ning Fa Automobile Service Centre;
“Option Deed”	the conditional option deed dated 31st May, 2005 entered into between Leapfly and Mr. Eugene Chuang in relation to the grant of the Call Option;
“Option Period”	means a period of 2 years commencing on 1st September, 2008 till the day ending 31st August, 2010;
“Option Price”	HK\$10.00;
“Option Shares”	Mr. Eugene Chuang’s entire interest in the registered capital of RMB7,500,000 in the JV at the time of exercise of the Call Option;
“RMB”	Renmenbi;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited.

As at the date of this announcement, the Board comprises six executive directors, namely, Mr. Chuang Yueheng, Henry, Mr. King Phillip, Mr. Lo Kan Sun and Mr. Wong Ying Seung, Asiong, Mr. Wong Wai Man, Raymond and Mr. Chung Wilson, one non-executive director, Mr. Lau Da Yip and five independent non-executive directors, namely Mr. Lam Ping Cheung, Mr. Miu Frank H., Mr. Nakajima Toshiharu, Ms. Lin Wai Yi and Mr. Pang Shuen Wai, Nichols.

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

Hong Kong, 1st June, 2005

Please also refer to the published version of this announcement in China Daily.