

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in China United International Holdings Limited, you should at once hand this circular together with the enclosed form of proxy to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale or the transfer was effected for transmission to the purchaser or the transferee.

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CONNECTED TRANSACTION

Financial Adviser



Independent Financial Adviser to the Independent Board Committee

CHATERON
CORPORATE FINANCE LIMITED

A notice convening the extraordinary general meeting of China United International Holdings Limited to be held at Function Room III, City Garden Hotel, 9 City Garden Road, North Point, Hong Kong on Friday, 9 January 2004, at 9:00 a.m. is set out on pages 26 to 27 of this circular. Whether or not you intend to attend the extraordinary general meeting (or any adjournment thereof), please complete and return the enclosed form of proxy and return the same to the Company's registered office, 32nd Floor, China United Centre, 28 Marble Road, North Point, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the extraordinary general meeting. Completion and return of the form of proxy will not preclude you from attending and voting at the extraordinary general meeting (or any adjournment thereof) should you so wish.

Hong Kong, 24 December 2003

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DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions have the following meanings:

“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 shares of which are listed on the Stock Exchange
“Directors”	the directors of the Company
“EGM”	the extraordinary general meeting of the Company to be convened to approve the matter referred to herein to be held at Function Room III, City Garden Hotel, 9 City Garden Road, North Point, Hong Kong on Friday, 9 January 2004 at 9:00 a.m. notice of which is set out on page 26 to 27 of this circular and any adjournment thereof
“Financial Adviser”	CU Corporate Finance Limited, a limited liability company incorporated in Hong Kong and a deemed licensed corporation registered under the SFO, an indirect non-wholly owned subsidiary of the Company
“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
“IFA”	Chateron Corporate Finance Limited, a deemed licensed corporation registered under the SFO and an independent financial adviser to the Independent Board Committee in relation to the S&P Agreement
“Independent Board Committee”	the committee comprising the independent non-executive directors of the Company, Mr. Lam Ping Cheung and Mr. Ong Peter appointed to advise Independent Shareholders on the S&P Agreement
“Independent Shareholders”	Shareholders other than Radford Investment, the existing shareholders of HMI as disclosed in this circular and their respective associates as defined under the Listing Rules
“Latest Practicable Date”	19 December 2003, being the latest practicable date before the printing of this circular for ascertaining certain information contained in it

DEFINITIONS

“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 Shares”	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
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	share(s) of HK\$0.10 each in the capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“S&P Agreement”	the conditional sales and purchase agreement between the Company and HMI dated 2 December 2003 in relation to the sale and purchase of the Radford Investment Shares
“HK\$”	Hong Kong dollars

LETTER FROM THE BOARD



Directors:

Mr. Chuang Yueheng, Henry (*Chairman*)
Mr. Chung Wilson (*Managing Director*)
Mr. Lo Kan Sun
Mr. Wong Ying Seung, Asiong
Mr. Lam Ping Cheung*
Mr. Ong Peter*

*Registered office and principal
place of business:*
32nd Floor
China United Centre
28 Marble Road
North Point
Hong Kong

* *Independent non-executive director*

24 December 2003

To the Shareholders

Dear Sir or Madam,

CONNECTED TRANSACTION

INTRODUCTION

On 2 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. On 10 December 2003, the Board has proposed to distribute Radford Investment Shares to the Shareholders on the basis of 1 Radford Investment Share for every 2 existing Shares held subject to certain conditions contained herein.

S&P AGREEMENT DATED 2 DECEMBER 2003

Parties

The Company or its wholly-owned subsidiary as the purchaser and HMI as the vendor.

Number of Radford Investment Shares to be purchased

200,000,000 Radford Investment Shares representing approximately 19.77% of the existing issued share capital of Radford Investment.

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 31 October 2003 and HK\$0.138 as at 30 November 2003 respectively.

LETTER FROM THE BOARD

The purchase price of HK\$0.12 per Radford Investment Share represents respectively (i) a premium of approximately 48.15% and 81.82% to the closing price of HK\$0.081 per Radford Investment Share on 2 December 2003 and HK\$0.066 per Radford Investment Share on the Latest Practicable Date as quoted on the Stock Exchange; and (ii) a premium of approximately 25.39% to the average closing price of HK\$0.0957 per Radford Investment Share from 19 November 2003 to 2 December 2003, both dates inclusive, being the last ten full trading days immediately before and up to the date of the announcement made by the Company regarding the S&P Agreement and 75.18% to the average closing price of HK\$0.0685 per Radford Investment Share from 8 December 2003 to 19 December 2003, both dates inclusive, being the last ten full trading days immediately before and up to the Latest Practicable Date as quoted on the Stock Exchange. 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 paragraph 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 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 transaction contemplated under the S&P Agreement is able to repay in full of the collateral loan of approximately HK\$24 million, the relevant creditor has agreed to release the pledged Radford Investment Shares upon settlement of the respective loan in full.

The Board considers that the entering into of the S&P Agreement is to the 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 31 October 2003 and HK\$0.138 as at 30 November 2003 respectively.

Condition of the S&P Agreement

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

LETTER FROM THE BOARD

The S&P Agreement will lapse if the condition is not satisfied by 31 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 Latest Practicable Date, HMI and its subsidiaries do not hold any Shares. The Company has confirmed with the existing shareholders of HMI, save as Hong Kong Pharmaceutical Holdings Limited, as disclosed in the paragraph headed “INFORMATION ON THE GROUP AND HMI” that they (and their respective associates as defined under the Listing Rules) will abstain from voting at the EGM should they hold the Shares. The Directors are not aware that Hong Kong Pharmaceutical Holdings Limited is interested in any Shares as at the Latest Practicable Date. Moreover, the Company will try its very best endeavour to ascertain up to the date of the EGM whether Hong Kong Pharmaceutical Holdings Limited holds any Share, and to ensure that Hong Kong Pharmaceutical Holdings Limited will abstain from voting if it holds any Shares. Radford Investment, being the Shareholder, will also abstain from voting at the EGM.

The Company has appointed the Financial Adviser to prepare and clear the required press announcement and this circular for the transaction contained herein 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.

Since 2 December 2003 being the date of the announcement made by the Company regarding the S&P Agreement, Mass Nation Investments Limited, a wholly-owned subsidiary of Heritage International Holdings Limited, converted HMI’s convertible bonds into 10,000,000 HMI shares at a price of HK\$1.50 each on 9 December 2003 and Leader Faith International Limited, a wholly-owned subsidiary of Sinolink Worldwide Holdings Limited, subscribed for 50,000,000 HMI shares at a price

LETTER FROM THE BOARD

of HK\$1.50 each for a consideration of HK\$75,000,000 on 15 December 2003. As a result, the Company's shareholding in HMI has been decreased from 63.9% as at 2 December 2003 (the date of the announcement made by the Company regarding the S&P Agreement) to 50.71% as at the Latest Practicable Date.

As at the Latest Practicable Date, the entire issued share capital of HMI is beneficially owned as to 50.71% by China United International Holdings Limited, 17.23% by Sinolink Worldwide Holdings Limited, 13.79% by Golden Resources Development International Limited, 7.58% by Beauforte Investors Corporation Limited, 3.45% by Hansom Eastern (Holdings) Limited, 3.45% by China Sci-Tech Holdings Limited, 3.45% by Heritage International Holdings Limited and 0.34% by Hong Kong Pharmaceutical Holdings Limited, all of which are companies listed on the Stock Exchange.

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 net loss for the period from 14 August 2001 (the date of incorporation) to 31 December 2002 and unaudited consolidated net loss for the six months ended 30 June 2003 of Radford Investment were approximately HK\$40 million and HK\$32.7 million respectively.

Set out below is the shareholding structure of Radford Investment:

	Existing		After completion of the 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>1,011,560,000</u>	<u>100.00</u>	<u>1,011,560,000</u>	<u>100.00</u>

As at the Latest Practicable Date, Radford Investment held 14,790,000 Shares, representing approximately 4.01% of the issued share capital of the Company, 30 convertible notes of the Company in denominations of HK\$168,000 each convertible into the Shares at HK\$1.48 each and 1,952,000 warrants of the Company (stock code 1144). Radford Investment has no present intention to convert those convertible notes and warrants.

LETTER FROM THE BOARD

DISTRIBUTION OF RADFORD INVESTMENT SHARES

Messrs. Moores Rowland Mazars, Certified Public Accountants has been appointed as the auditors of the Company on 13 December 2003. The Board has requested the auditors to (i) conduct a special audit of the Group in respect of the period from 1 January 2003 to 30 November 2003; and (ii) advise the Company on the distribution of the Radford Investment Shares to the Shareholders on the basis of 1 Radford Investment Share for every 2 existing Shares held. The special audit is expected to be completed in mid February 2004.

The Shareholders and investors are reminded that such distribution will be subject to (i) the approval of the S&P Agreement at the EGM by the Independent Shareholders; and (ii) the advice of the auditors regarding the distribution of the Radford Investment Shares to the Shareholders upon completion of the special audit. Based on the 368,812,918 existing issued Shares as at the Latest Practicable Date, the undistributed 15,593,541 Radford Investment Shares, representing approximately 1.54% of the issued share capital of Radford Investment, will be disposed of orderly depending on the market conditions. The net proceeds from the disposal of the undistributed Radford Investment Shares will be donated to charitable organizations. It is the Group's practice to donate to charitable organizations from time to time and the Group would like to take this opportunity to do so for the net proceeds from the undistributed Radford Investment Shares. Fractional entitlements of the Radford Investment Shares will not be distributed to the Shareholders and will be retained by the Company for future disposal. Since Radford Investment is the Shareholder as disclosed in the paragraph headed "INFORMATION ON RADFORD INVESTMENT", the Company has obtained consent from Radford Investment that any distribution of Radford Investment Shares to Radford Investment will be disposed of orderly depending on the market condition by the Company and the net proceeds thereof will be distributed to Radford Investment.

If the Independent Shareholders approve the S&P Agreement at the EGM and the auditors advised not to distribute the Radford Investment Shares, the Company will retain all Radford Investment Shares for investment purpose.

Reasons for the distribution

The Board considers rewarding the Shareholders after reviewing the Group's financial position and the distribution of Radford Investment Shares as a special dividend to the Shareholders is to the benefit of the Company and the Shareholders as a whole. The special audit will be conducted since the Company has just changed its auditors and the Company needs to ensure whether it is appropriate to distribute the Radford Investment Shares to the Shareholders in compliance with the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) regarding the Company's distributable reserve.

RECOMMENDATION

As set out in its letter to Independent Shareholders, based on the advice of the IFA, the Independent Board Committee is of the view that the terms of the S&P Agreement are not fair and reasonable and not in the interests of the Company and the Shareholders (including the Independent Shareholders) as a whole.

LETTER FROM THE BOARD

EGM

Set out on pages 26 to 27 of this circular is a notice convening the EGM to be held at Function Room III, City Garden Hotel, 9 City Garden Road, North Point, Hong Kong on Friday, 9 January 2004 at 9:00 a.m. at which an ordinary resolution will be proposed to approve the S&P Agreement and related matters.

A form of proxy to be used for the EGM is enclosed for you. Whether or not you are able to attend the meeting, you are requested to complete and return the enclosed form of proxy to the registered office of the Company at 32nd Floor, China United Centre, No.28 Marble Road, North Point, Hong Kong, as soon as possible and in any event not later than 48 hours before the time of the meeting. Completion and return of the form of proxy will not preclude you from attending and voting at the meeting should you wish to do so.

ADDITIONAL INFORMATION

Your attention is drawn to the letters from the Independent Board Committee and the IFA, and the general information as set out in the Appendix of this circular.

By Order of the Board
Chung Wilson
Managing Director

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

24 December 2003

To: The Independent Shareholders

Dear Sir or Madam,

As the Independent Board Committee, we have been appointed to advise the Independent Shareholders in connection with the S&P Agreement. Terms defined in the circular of the Company dated 24 December 2003 (the “Circular”) to the Shareholders of which this letter forms part, shall have the same meanings when used herein unless the context otherwise requires.

We wish to draw your attention to the letter of advice from the IFA as set out on pages 10 to 21 of the Circular and the letter from the Board as set out on pages 3 to 8 of the Circular.

Having considered, inter alia, the factors and reasons considered by, and the opinions and recommendations of, the IFA as stated in its aforementioned letter of advice, we consider that the terms of the S&P Agreement are not fair and reasonable and are not in the interests of the Company and the Shareholders (including the Independent Shareholders) as a whole. We therefore recommend that Independent Shareholders vote against the resolution proposed at the EGM to approve such matters.

Yours faithfully,

Independent Board Committee

Lam Ping Cheung

Director

Ong Peter

Director

CHATERON
CORPORATE FINANCE LIMITED
SUITE 20B, 20TH FLOOR,
9 QUEEN'S ROAD CENTRAL, HONG KONG
TEL: (852) 2868 2828 FAX : (852) 2868 0390

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24 December 2003

The Independent Board Committee
China United International Holdings Limited
32nd Floor
China United Centre
28 Marble Road
North Point
Hong Kong

Dear Sirs,

Proposed connected transaction

We refer to the announcement (the “**Announcement**”) issued by China United International Holdings Limited (the “**Company**”) dated 2 December 2003 in relation to the Company’s conditional acquisition (the “**Acquisition**”) of an aggregate of 200,000,000 shares of Radford Capital Investment Limited (“**Radford Investment Shares**”) from Hennabun Management Inc. (“**HMI**”), an indirect non-wholly owned subsidiary of the Company, at a price of HK\$0.12 per Radford Investment Share pursuant to a conditional sale and purchase agreement (the “**S&P Agreement**”) entered into between the Company and HMI dated 2 December 2003. Details of, inter alia, the terms and condition of the S&P Agreement are set out in a circular issued by the Company to its shareholders (the “**Shareholders**”) dated 24 December 2003 (the “**Circular**”), of which this letter forms part. Capitalized terms used in this letter shall have the same meanings ascribed to them in the Circular unless the context herein otherwise requires.

As referred to in the letter from the Board as set out on pages 3 to 8 of the Circular, the Acquisition, if proceeded with, constitutes a connected transaction for the Company under Chapter 14 of the Listing Rules and is subject to, inter alia, the approval of the Independent Shareholders at the EGM.

The Independent Board Committee comprising Messrs Lam Ping Cheung and Peter Ong, being independent non-executive Directors, has been established by the Company to advise the Independent Shareholders in relation to the Acquisition. We, Chateron, have been appointed by the Company to advise the Independent Board Committee in relation to the Acquisition. This letter contains our advice

LETTER FROM THE IFA

to the Independent Board Committee as to whether or not (i) the Acquisition is fair and reasonable and in the interests of the Independent Shareholders; and (ii) the Independent Board Committee should recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM to consider and, if thought fit, approve the S&P Agreement and the Acquisition.

In formulating our opinion and recommendation to the Independent Board Committee in relation to the Acquisition, we have relied on the accuracy of the information and representations contained in the Circular which have been provided to us by the Directors and which the Directors consider to be complete and relevant. We have assumed that all statements, information and representations made or referred to in the Circular, for which the Directors are solely responsible, were true and correct in all respects at the time they were made and continued to be so as at the date of despatch of the Circular. We have also assumed that all statements of belief, opinion and intention made by the Directors in the Circular were reasonably made after due and careful enquiry and are based on honestly-held opinions. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors and we have been advised by the Directors that no material facts have been omitted from the information and representations provided in and referred to in the Circular. We consider that we have received sufficient information to enable us to reach an informed view and to justify our reliance on the accuracy of the information and representations contained in the Circular and to provide a reasonable basis for our opinion and recommendation. We have no reason to suspect that any material information has been withheld by the Company or by the Directors. We have not, however, carried out any independent verification of the information provided to us by the Directors, nor have we conducted an independent in-depth investigation into the affairs of the Company and its subsidiaries.

In formulating our opinion and recommendation, we have not considered the tax consequences on the Shareholders as a result of the approval (or otherwise) of the Acquisition by the Independent Shareholders, since these are particular to the individual circumstances of any Shareholder. It is emphasized that we will not accept responsibility for any tax effects on or liabilities of any person resulting from the approval (or otherwise) of the Acquisition by the Independent Shareholders. In particular, any Shareholder who is in any doubt about his/her own tax position in connection with the Acquisition should consult his/her own professional adviser(s).

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation to the Independent Board Committee in relation to the Acquisition, we have considered the principal factors and reasons set out below:

1. Reasons for entering into the S&P Agreement

As referred to in the letter from the Board as set out on pages 3 to 8 of the Circular, pursuant to the S&P Agreement, the Company will be able to acquire an investment in 200,000,000 Radford Investment Shares at a price of HK\$0.12 per Radford Investment Share, which represents a discount of approximately 13.0% to the last reported unaudited consolidated net assets of approximately HK\$0.138 per Radford Investment Share as at 30 November 2003. The aggregate proceeds payable by the Company (as the purchaser) to HMI (as the vendor) in respect of the Radford Investment Shares pursuant to the S&P Agreement amount to HK\$24 million. By entering into the S&P Agreement, HMI,

LETTER FROM THE IFA

being a non-wholly owned subsidiary of the Company, will also be able to use the proceeds of HK\$24 million arising from completion of the Acquisition to repay in full the collateral loan in the amount of approximately HK\$24 million which is secured by the relevant Radford Investment Shares (and which are agreed to be released by the relevant creditor).

As referred to in the letter from the Board as set out on pages 3 to 8 of the Circular, Radford Investment and its subsidiaries are principally engaged in investments in listed and unlisted enterprises established and/or conducting businesses in Hong Kong and/or the People's Republic of China. Radford Investment is governed under Chapter 21 of the Listing Rules entitled "Investment Vehicles" as an investment company listed on the main board of the Stock Exchange. Since the listing of Radford Investment on the Stock Exchange in February 2002, Radford Investment reported (i) an unaudited consolidated net asset value per share of approximately HK\$0.157 as at 30 June 2002; (ii) an audited consolidated net asset value per share of approximately HK\$0.141 as at 31 December 2002; (iii) an unaudited consolidated net asset value per share of approximately HK\$0.109 as at 30 June 2003; and (iv) an unaudited consolidated net asset value per share of approximately HK\$0.138 as at 30 November 2003. In this regard, we noted that based on Radford Investment's last reported unaudited consolidated balance sheet as at 30 June 2003, the aggregate book value of investment in listed securities was approximately HK\$109 million which represents about 98% of Radford Investment's unaudited consolidated net asset value of approximately HK\$111 million as at 30 June 2003. Therefore, we consider that Radford Investment's net assets predominantly comprise its investment portfolio in listed securities. Accordingly, the net asset value per Radford Investment Share is essentially dependent on the nature of listed securities held by Radford Investment in its investment portfolio which changes from time to time, as well as the prevailing stock market sentiment which have an impact on the share prices of the listed securities held by Radford Investment in its investment portfolio.

Although we noted that the purchase price of HK\$0.12 per Radford Investment Share represents an approximately 13.0% discount to the last reported unaudited consolidated net asset value of approximately HK\$0.138 per Radford Investment Share as at 30 November 2003, we consider that there exists uncertainty regarding the net asset value per Radford Investment Share after completion of the Acquisition given that Radford Investment's net asset value is essentially dependent on the nature of listed securities held by Radford Investment in its investment portfolio which changes from time to time as well as the prevailing stock market sentiment. Therefore, we are of the view that in the event where the net asset value per Radford Investment Share is less than HK\$0.12 after completion of the Acquisition, then the Company may have acquired the Radford Investment Shares at a price which represents a premium to Radford Investment's then net asset value per share, and which we consider is not in the interests of the Company and the Shareholders (including the Independent Shareholders) as a whole.

Furthermore, we consider that the main objective of the S&P Agreement is to enable HMI to repay part of its collateral loan using the proceeds arising from completion of the Acquisition. Nevertheless, we noted that HMI is a non wholly-owned subsidiary of the Company in which the Company has an approximately 50.71% beneficial interest as at the Latest Practicable Date, whilst the remaining approximately 49.29% interest in HMI is held by minority shareholders who are independent of and not connected with any of the directors, chief executive or substantial shareholders of the Company or its subsidiaries and any of their respective associates. In other words, the Group

LETTER FROM THE IFA

will only enjoy a 50.71% attributable share of the benefit arising from settlement of the relevant part of HMI's collateral loan. The minority shareholders of HMI will effectively enjoy the benefit conferred to them, arising from settlement of the relevant part of HMI's collateral loan which utilizes the Company's internal resources upon completion of the Acquisition. In other words, we consider that the minority shareholders of HMI will enjoy a subsidy from the Company for an amount of approximately HK\$11.8 million, being their aggregate 49.29% attributable share of the HK\$24 million proceeds to be received by HMI from the Company upon completion of the Acquisition, for the purpose of settlement of the relevant part of HMI's collateral loan. Therefore, we consider that such an effective subsidy arrangement from the Company in favour of HMI's minority shareholders is not in the interests of the Company and the Shareholders (including the Independent Shareholders) as a whole.

2. Evaluation of the purchase price per Radford Investment Share pursuant to the S&P Agreement

As discussed above, Radford Investment is governed under Chapter 21 of the Listing Rules entitled "Investment Vehicles" as an investment company listed on the main board of the Stock Exchange. For the purpose of our evaluation regarding the fairness and reasonableness of the purchase price per Radford Investment Share pursuant to the S&P Agreement, we have identified those other listed companies on the Stock Exchange which are governed under Chapter 21 of the Listing Rules as investment companies (the "Comparable Companies") and which also directly invest in listed and unlisted securities in Hong Kong (and which, by virtue of such investments, may also have direct investments in the People's Republic of China). The relevant market statistics of the Comparable Companies are set out below:

Name of company	Principal business activities	Closing share price as at the Latest Practicable Date	Last reported net asset value per share	Premium / (discount) of the closing share price as at the Latest Practicable Date to the underlying net asset value per share	Last reported earnings/ (loss) per share	Price/ earnings multiple	Price to book value
		HK\$	HK\$	%	HK\$	times	times
China Assets (Holdings) Limited	Investments in listed and unlisted companies in Hong Kong and the People's Republic of China	3.2	9.598	(66.7)%	0.374	8.6	0.33
China Northern Enterprises Investment Fund Limited	Investments in listed and unlisted companies in Hong Kong and the People's Republic of China	0.74	0.852	(13.1)%	n/a	n/a	0.87
Earnest Investments Holdings Limited	Investments in listed and unlisted companies in Hong Kong and the People's Republic of China	0.041	0.1087	(62.3)%	(0.008)	N/A	0.38

LETTER FROM THE IFA

Name of company	Principal business activities	Closing share price as at the Latest Practicable Date	Last reported net asset value per share	Premium / (discount) of the closing share price as at the Latest Practicable Date to the underlying net asset value per share	Last reported earnings/ (loss) per share	Price/ earnings multiple	Price to book value
		<i>HK\$</i>	<i>HK\$</i>	<i>%</i>	<i>HK\$</i>	<i>times</i>	<i>times</i>
Everest International Investments Limited	Investments in listed and unlisted companies in Hong Kong and the People's Republic of China	0.07	0.1	(30.0)%	(0.11)	<i>N/A</i>	0.7
GR Investment International Limited	Investments in listed and unlisted companies in Hong Kong and the People's Republic of China	0.125	0.6	(79.2)%	(0.171)	<i>N/A</i>	0.21
Harmony Assets Limited	Investments in listed and unlisted companies in Hong Kong and the People's Republic of China	0.355	1.22	(70.9)%	(1.248)	<i>N/A</i>	0.29
Haywood Investments Limited	Investments in listed and unlisted companies in Hong Kong and the People's Republic of China	0.097	0.15	(35.3)%	(0.236)	<i>N/A</i>	0.65
Incutech Investments Limited	Investments in listed and unlisted companies in Hong Kong and the People's Republic of China	1.08	1.056	2.3%	0.003	360	1.02
ING Beijing Investment Company Limited	Investments in listed and unlisted companies in Hong Kong and the People's Republic of China	0.17	0.365	(53.4)%	(0.037)	<i>N/A</i>	0.47
Prime Investments Holdings Limited	Investments in listed and unlisted companies in Hong Kong and the People's Republic of China	0.3	0.25	20%	(0.124)	<i>N/A</i>	1.2
UBA Investments Limited	Investments in listed and unlisted companies in Hong Kong only	0.1	0.094	6.4%	(0.017)	<i>N/A</i>	1.06
Unity Investments Holdings Limited	Investments in listed and unlisted companies in Hong Kong only	0.19	0.46	(58.7)%	0.003	63.3	0.41
Value Partners China Greenchip Fund Limited	Investments in companies in Hong Kong and the People's Republic of China	18	17.6983	1.7%	0.184	97.8	1.02

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Name of company	Principal business activities	Closing share price as at the Latest Practicable Date	Last reported net asset value per share	Premium / (discount) of the closing share price as at the Latest Practicable Date to the underlying net asset value per share	Last reported earnings/(loss) per share	Price/earnings multiple	Price to book value
		HK\$	HK\$	%	HK\$	times	times
Yu Ming Investments Limited	Investments in listed and unlisted companies in Hong Kong	0.295	0.43	(31.4)%	0.011	26.8	0.69
Average				(33.6)%		111.3	0.66

n/a : not applicable, for reason that China Northern Enterprises Investment Fund Limited has not reported any earnings/(loss) for a full financial year given that it was listed on the Stock Exchange only as recently as October 2003.

N/A : not applicable, because the company concerned reported a loss per share for the last financial year.

2.1 With reference to Radford Investment's historical financial results

We noted that since the incorporation of Radford Investment on 14 August 2001, Radford Investment reported (i) an audited consolidated basic loss per share of approximately HK\$0.0637 during the period from 14 August 2001 to 31 December 2002; and (ii) an unaudited consolidated basic loss per share of approximately HK\$0.0321 for the period of six months ended 30 June 2003. Therefore, the purchase price of HK\$0.12 per Radford Investment Share pursuant to the S&P Agreement does not represent any implied price earnings multiple based on Radford Investment's reported historical financial results performances.

By way of comparison, it should be noted similar to the Company, 8 out of the 14 Comparable Companies as referred to in the table above reported historical losses per share in respect of their last financial years and one company has not reported any earnings/(loss) in respect of any financial year, and therefore the closing share prices of 9 out of the 14 Comparable Companies as at the Latest Practicable Date do not represent any implied historical price earnings multiples. Among the remaining 5 Comparable Companies who reported earnings per share in respect of their last financial years, their historical price earnings multiples ranged between 27 times and 360 times (based on their closing share prices as at the Latest Practicable Date) and the average historical price earnings multiple as represented by their closing share prices as at the Latest Practicable Date is about 111 times. Nevertheless, we consider that companies which are governed under Chapter 21 of the Listing Rules as investment companies are mainly asset-driven companies for reasons that (i) their asset bases are mainly represented by their investment portfolios; and (ii) their earnings are mainly represented by their dividend and interest incomes received from their investment portfolios. Therefore, we consider that the price earnings multiple basis is not an appropriate basis for evaluating investment companies governed under Chapter 21 of the Listing Rules.

2.2 *With reference to Radford Investment's last reported net asset value per share*

As referred to in our discussions in the paragraph headed "Reasons for entering into the S&P Agreement" above, the purchase price of HK\$0.12 per Radford Investment Share represents an approximately 13.0% discount to the last reported unaudited consolidated net asset value of approximately HK\$0.138 per Radford Investment Share as at 30 November 2003. This compares unfavourably with the corresponding average discount of approximately 34% as demonstrated by the Comparable Companies (based on their share prices as at the Latest Practicable Date and their last reported net asset values per share). Therefore, we consider that the purchase price of HK\$0.12 per Radford Investment Share is not fair and reasonable.

Furthermore, we wish to draw the attention of the Independent Shareholders that as we have evaluated in the paragraph headed "Reasons for entering into the S&P Agreement" above, the net asset value per Radford Investment Share is essentially dependent on the nature of listed securities held by Radford Investment in its investment portfolio which changes from time to time, as well as the prevailing stock market sentiment which have an impact on the share prices of the listed securities held by Radford Investment in its investment portfolio. This is demonstrated by the fluctuations in Radford Investment's reported historical net asset values per share of approximately HK\$0.157 as at 30 June 2002, approximately HK\$0.141 as at 31 December 2002, approximately HK\$0.109 as at 30 June 2003 and approximately HK\$0.138 as at 30 November 2003. We are of the view that in the event where the net asset value per Radford Investment Share is less than HK\$0.12 after completion of the S&P Agreement, then the Company would have acquired the Radford Investment Shares at a price which represents a premium to Radford Investment's then net asset value per share, and which we consider is not in the interests of the Company and the Shareholders (including the Independent Shareholders) as a whole.

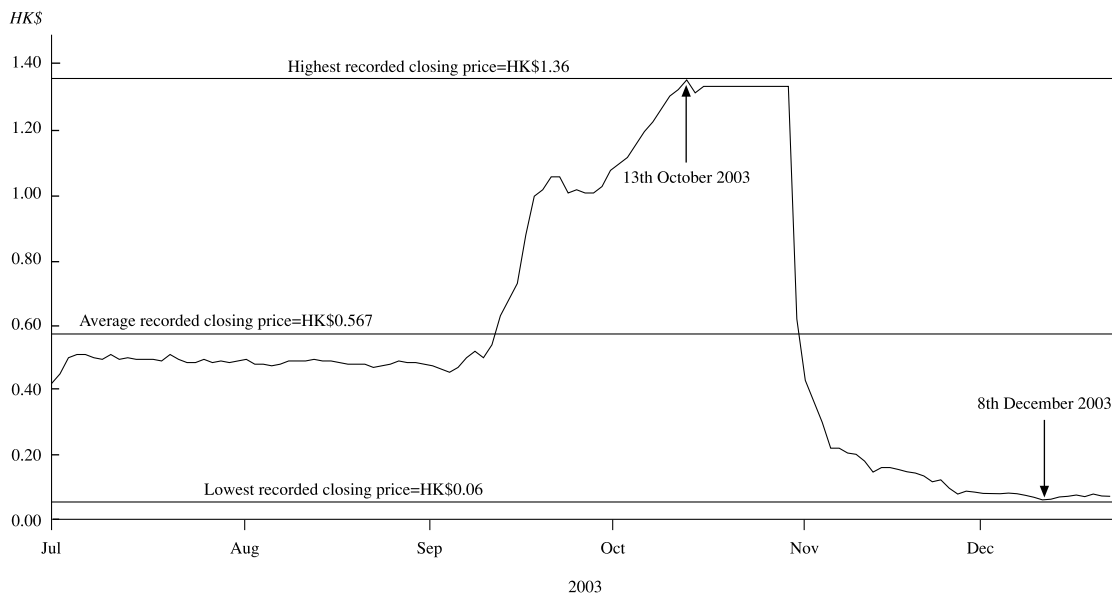
Furthermore, the purchase price of HK\$0.12 per Radford Investment Share represents a price/book ratio of approximately 0.87 to the last reported unaudited consolidated net asset value of approximately HK\$0.138 per Radford Investment Share as at 30 November 2003. This ratio is higher than the corresponding average price/book ratio of about 0.66 as demonstrated by the Comparable Companies, based on their closing share prices as at the Latest Practicable Date and their last reported net asset values per share.

2.3 *With reference to the market price performances of Radford shares during the Period (as defined hereinafter) and the closing price of Radford shares as at the Latest Practicable Date*

We noted that the closing price of the Radford Investment Shares was HK\$0.066 as at the Latest Practicable Date. The purchase price of HK\$0.12 per Radford Investment Share pursuant to the S&P Agreement represents a premium of HK\$0.054, or approximately 82%, to such closing price of the Radford shares of HK\$0.066 as at the Latest Practicable Date.

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In this regard, we have reviewed the price performances of the shares of Radford during the period from 1 July 2003 (being the date falling on the period of six months prior to the date of the Company's announcement of the Acquisition dated 2 December 2003) up to and including the Latest Practicable Date (the "Period"), as follows:-



Based on the foregoing chart during the Period, we noted that the purchase price of HK\$0.12 per Radford Investment Share represents (i) a discount of approximately 91% to the highest recorded price of Radford shares of HK\$1.36 on 13 October 2003; (ii) a premium of approximately 100% to the lowest recorded price of Radford shares of HK\$0.06 on 8 December 2003; and (iii) a discount of approximately 79% to the average traded price of approximately HK\$0.567 per Radford share during the Period. In this regard, we noted that the traded prices of the Radford shares have demonstrated a significant degree of volatility during the Period, especially that there was a significant drop by about 96% within a period of two months from the highest recorded price of HK\$1.36 on 13 October 2003 to the lowest recorded price of HK\$0.06 on 8 December 2003. Given that the reported net asset value per Radford share during the Period only ranges between HK\$0.109 (as at 30 June 2003) and HK\$0.138 (as at 30 November 2003), there was a change in Radford's reported net asset value per share during the Period only by about 27% and whose magnitude is remarkably inconsistent with the 96% drop in Radford share prices between 13 October 2003 and 8 December 2003 as referred to above. Therefore, we consider that the market price volatility of Radford shares during the Period does not fairly reflect the true worth of each Radford share, and should not constitute a valid basis for the purpose of our evaluation of the purchase price of HK\$0.12 per Radford Investment Share pursuant to the Acquisition. Accordingly, we consider that the abovementioned premium of HK\$0.054 per Radford Investment Share, or equivalent to a magnitude of about 82% over and above the closing price of Radford shares of HK\$0.066 as at the Latest Practicable Date, is not fair and reasonable.

Based on an aggregate of 200,000,000 Radford Investment Shares and a premium of HK\$0.054 per Radford Investment Share, the Company will pay to HMI a total premium of HK\$10.8 million upon completion of the S&P Agreement.

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As discussed in the paragraph headed “Reasons for entering into the S&P Agreement” above, an aggregate of approximately 49.29% interest in HMI is held by minority shareholders who are independent of and not connected with any of the directors, chief executive or substantial shareholders of the Company or its subsidiaries and any of their respective associates. Therefore, we consider that the minority shareholders of HMI will effectively enjoy the benefit conferred to them of a premium of approximately HK\$5.3 million, being their aggregate 49.29% attributable share of the abovementioned total premium of HK\$10.8 million, which however utilizes the Company’s internal resources upon completion of the Acquisition and which we consider is not in the interests of the Company and the Shareholders (including the Independent Shareholders) as a whole.

3. Radford Investment will become an associated company of the Company after completion of the S&P Agreement

As referred to in the letter from the Board as set out on pages 3 to 8 of the Circular, the Company, through its 50.71% owned subsidiary HMI, is beneficially interested in 237,080,000 shares of Radford Investment representing approximately 23.44% of Radford Investment’s issued share capital as at the Latest Practicable Date. Therefore, the Group has an approximately 11.89% effective interest in Radford Investment as at the Latest Practicable Date.

After completion of the Acquisition, the abovementioned 237,080,000 shares of Radford Investment will be beneficially held as to (i) 37,080,000 by HMI, representing approximately 3.67% of Radford Investment’s issued share capital; and (ii) 200,000,000 by the Company, representing approximately 19.77% of Radford Investment’s issued share capital. Therefore, the Group’s resultant effective interest in Radford Investment after completion of the Acquisition will be as follows:

The Company’s direct beneficial interest in 200,000,000 Radford Investment Shares	19.77%
The Company’s indirect interest in Radford Investment, which will be held through HMI (a 50.71% owned subsidiary of the Company) who has a direct interest in approximately 3.67% in Radford Investment’s issued share capital	<u>1.86%</u>
The Group’s effective interest in Radford Investment after completion of the Acquisition	<u><u>21.63%</u></u>

We were informed by the Directors that as at the Latest Practicable Date, the Group accounts for the financial results and financial position of HMI, being a 50.71% owned subsidiary of the Company, on a consolidation basis, and that HMI accounts for its 23.44% interest in Radford Investment as an investment in HMI’s own financial accounts. Nevertheless, in view of the Group’s resultant 22% effective interest in Radford Investment after completion of the S&P Agreement, we consider that it is a requirement under generally accepted accounting principles in Hong Kong for the Group to equity

account for the financial results and financial position of Radford Investment as an associated company. In this regard, based on Radford Investment's historical reported net losses attributable to shareholders during the period from 14 August 2001 to 31 December 2002 and the period of six months ended 30 June 2003 as a reference, we consider that if the Group is required to equity account for the financial results of Radford Investment, then there may be a negative impact on the Group's overall financial results performance and which we consider would not be in the interests of the Company and the Shareholders (including the Independent Shareholders) as a whole.

4. Distribution of the Radford Investment Shares to the Shareholders

As referred to in the Company's announcement dated 10 December 2003, the Company will request its auditors, Moores Rowland Mazars, Certified Public Accountants, to advise the Company on, inter alia, the distribution of the Radford Investment Shares to the Shareholders, on the basis of one Radford Investment Share for every two existing Shares held.

We consider that the distribution of the Radford Investment Shares by the Company to the Shareholders is subject to, inter alia, the completion of the S&P Agreement which is in turn conditional upon, inter alia, the approval of the Independent Shareholders. In this regard, we consider that given the historical volatility in the traded market prices of the Radford shares during the Period as discussed in sub-paragraph 2.3 above, there exists uncertainties in the market price performance of the Radford shares after the distribution. We consider that, if the distribution is proceeded with, each Shareholder should give regard to the cash dividend which would otherwise be receivable by him/her for every two existing Shares held, which will be replaced by one Radford Investment Share to be received by him/her under the distribution. In the event where the market price per Radford Investment Share to be received by such Shareholder is lower than the price at which he/she receives such Radford Investment Share (which, in turn, is equal to the cash dividend which such Shareholder will otherwise receive for two existing Shares held), then we consider that this will not be in the interests of the Shareholders (including the Independent Shareholders).

5. Recommendation

Having considered the principal factors and reasons as referred to above, in particular that:

- given Radford Investment's net asset value is essentially dependent on the nature of listed securities held by Radford Investment in its investment portfolio which changes from time to time as well as the prevailing stock market sentiment, there exists uncertainty regarding the net asset value per Radford Investment Share after completion of the Acquisition. Therefore, we are of the view that in the event where the net asset value per Radford Investment Share is less than HK\$0.12 (being the purchase price per Radford Investment Share payable by the Company pursuant to the S&P Agreement) after completion of the Acquisition, then the Company may have acquired the Radford Investment Shares at a price which represents a premium to Radford Investment's then net asset value per share, and which we consider is not in the interests of the Company and the Shareholders (including the Independent Shareholders) as a whole;

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- approximately 49.29% of the issued share capital of HMI as at the Latest Practicable Date is held by minority shareholders who are independent of and not connected with any of the directors, chief executive and substantial shareholders of the Company or its subsidiaries and any of their respective associates. Therefore, the minority shareholders of HMI will effectively enjoy a subsidy from the Company for an amount of approximately HK\$11.8 million, being their aggregate 49.29% attributable share of the HK\$24 million proceeds to be received by HMI from the Company upon completion of the Acquisition, which utilizes the Company's internal resources for the purpose of settlement in full of HMI's collateral loan. Therefore, we consider that such an effective subsidy arrangement from the Company in favour of HMI's minority shareholders is not in the interests of the Company and the Shareholders (including the Independent Shareholders) as a whole;
- the purchase price of HK\$0.12 per Radford Investment Share represents an approximately 13.0% discount to the last reported unaudited consolidated net asset value of approximately HK\$0.138 per Radford Investment Share as at 30 November 2003, which compares unfavourably with the corresponding average discount of share price to net asset value of approximately 34% as demonstrated by the Comparable Companies. Furthermore, the purchase price of HK\$0.12 per Radford Investment Share represents a price/book ratio of approximately 0.87 to the last reported unaudited consolidated net asset value of approximately HK\$0.138 per Radford Investment Share as at 30 November 2003, which ratio is higher than the corresponding average price/book ratio of about 0.66 as demonstrated by the Comparable Companies;
- the purchase price of HK\$0.12 per Radford Investment Share pursuant to the S&P Agreement represents a premium of HK\$0.054, or approximately 82%, to the closing price of the Radford Investment Shares of HK\$0.066 as at the Latest Practicable Date. We consider that the aforementioned premium of 82% is not fair and reasonable, given the volatility in the market price performances of the Radford shares during the Period especially in view of a significant drop in Radford share prices by about 96% during a period of two months between 13 October 2003 and 8 December 2003, but whose magnitude demonstrates a remarkable inconsistency with the change in Radford's reported net asset value per share during the Period only by about 27%. Pursuant to the Acquisition, the Company will pay to HMI a total premium of approximately HK\$10.8 million based on an aggregate of 200,000,000 Radford Investment Shares pursuant to the S&P Agreement. In this regard, the minority shareholders of HMI will effectively enjoy the benefit conferred to them of a premium of approximately HK\$5.3 million, being their aggregate 49.29% attributable share of the abovementioned total premium of HK\$10.8 million, which however utilizes the Company's internal resources upon completion of the Acquisition and which we consider is not in the interests of the Company and the Shareholders (including the Independent Shareholders) as a whole;

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- after completion of the S&P Agreement, the Group will have an approximately 22% effective interest in Radford Investment. In this regard, we were informed by the Directors that as at the Latest Practicable Date, the Group accounts for the financial results and financial position of HMI on a consolidation basis, and that HMI accounts for its 23.44% interest in Radford Investment as an investment in HMI's own financial accounts. If the Group is required to equity account for the financial results of Radford Investment, then based on Radford Investment's historical reported net losses, there may be a negative impact on the Group's overall financial results performance and which we consider would not be in the interests of the Company and the Shareholders (including the Independent Shareholders) as a whole; and
- the distribution of the Radford Investment Shares by the Company to the Shareholders as referred to in the Company's announcement dated 10 December 2003 is subject to, inter alia, the completion of the S&P Agreement which is in turn conditional upon, inter alia, the approval of the Independent Shareholders. Nevertheless, we consider that there exists uncertainties in the market price performance of the Radford shares after the distribution. We also consider that, if the distribution is proceeded with, each Shareholder should give regard to the cash dividend which would otherwise be receivable by him/her for every two existing Shares held, which will be replaced by one Radford Investment Share to be received by him/her under the distribution. In the event where the market price per Radford Investment Share to be received by such Shareholder is lower than the price at which he/she receives such Radford Investment Share (which, in turn, is equal to the cash dividend which such Shareholder will otherwise receive for two existing Shares held), then we consider that this will not be in the interests of the Shareholders (including the Independent Shareholders),

we consider that the Acquisition is not fair and reasonable and is not in the interests of the Company and the Shareholders (including the Independent Shareholders) as a whole. Therefore, we would advise the Independent Board Committee to recommend the Independent Shareholders to vote against the resolution to be proposed at the EGM to consider and, if thought fit, approve the S&P Agreement and the Acquisition.

Yours faithfully,
For and on behalf of
Chateron Corporate Finance Limited
Christopher Wong
Director

RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company and its subsidiaries. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts not contained herein the omission of which would make any statement contained in this circular misleading.

DISCLOSURE OF INTERESTS

1. As at the Latest Practicable Date, the interests and short positions of each Director and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors is taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to the Company and the Exchange were as follows:

Name of Director	Number of Shares / warrants of the Company held				% of shareholding
	Personal interests	Family interests	Corporate Interests	Other interests	
Chuang Yueheng, Henry (<i>Note</i>)	—	101,261,270 Shares	—	—	27.46%
		13,497,236 warrants			27.58%
Wong Ying Seung, Asiong	564,000 Shares	—	—	—	0.15%
	56,000 warrants				0.11%

Note:

These shares and warrants were held by Radford Developments Limited which is controlled by a trust with the son of Mr. Chuang Yueheng, Henry, the Chairman of the Company, currently named as the beneficiary.

Save as disclosed herein, as at the Latest Practicable Date, none of the Director or chief executive of the Company had any interest in the Shares, underlying Shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors are

taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to the Company and the Exchange.

2. None of the Directors has entered into any service agreement with any member of the Company nor are there any service agreements proposed with any Director which will not expire or be determinable by the Company within one year without payment of compensation (other than statutory compensation).
3. The Financial Adviser is a non wholly-owned subsidiary of the Company.
4. The IFA does not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for shares in any member of the Group.
5. None of the Directors is materially interested in any contract or arrangement entered into by any member of the Group subsisting at the date of this document which is significant in relation to the business of the Group.
6. None of the Directors, the Financial Adviser and the IFA has any direct or indirect interest in any assets which have, since 31 December 2002 (being the date to which the latest published audited financial statements of the Company were made up), been acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.
7. So far as the Directors are aware, there has been no material adverse change in the financial or trading position of the Company since 31 December 2002, being the date to which the latest published audited financial statements of the Company were made up.

SUBSTANTIAL SHAREHOLDER'S AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS

As at the Latest Practicable Date, the following persons (other than the directors or chief executive of the Company) had interests or short positions in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

Name of shareholder	Name of member	Number of shares held	Number of warrants held	Approximately	
				percentage of shares	percentage of warrants
Radford Developments Limited ¹	the Company	101,261,270	13,497,236	27.46%	27.58%
Winning Horse Limited ²	the Company	14,790,000	1,972,000	4.01%	4.03%
Unity Investments Holdings Limited ³	the Company	18,423,600	2,456,480	5.00%	5.02%
Fabulous Resources Limited ⁴	the Company	18,304,504	2,440,600	4.96%	4.99%
Skytop Technology Limited ⁵	the Company	18,000,000	2,400,000	4.88%	4.90%
Leader Faith International Limited ⁶	HMI	50,000,000		17.23%	
Top Result International Limited ⁷	HMI	40,000,000		13.79%	

Note:

1. These shares and warrants were held by Radford Developments Limited which is controlled by a trust with the son of Mr. Chuang Yueheng, Henry, the Chairman of the Company, currently named as the beneficiary.
2. The ultimate beneficiary is Radford Investment. It also holds 30 convertible notes of the Company in denomination of HK\$168,000 each convertible into the Shares at HK\$1.48 each.
3. The shares of Unity Investments Holdings Limited are listed on the Stock Exchange.
4. The ultimate beneficiary is Cupac Technology Limited, a limited liability company incorporated in Bermuda.
5. The ultimate beneficiary is China Sci-Tech Holdings Limited, the shares of which are listed on the Stock Exchange.
6. The ultimate beneficiary is Sinolink Worldwide Holdings Limited, the shares of which are listed on the Stock Exchange.
7. The ultimate beneficiary is Golden Resources Development International Limited, the shares of which are listed on the Stock Exchange.

Save as disclosed above, the Directors and chief executive of the Company had not been notified of any other person (other than the Directors or chief executive of the Company) who had an interest or a short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group as at the Latest Practicable Date.

CONSENTS

IFA has given and has not withdrawn its written consents to the issue of this circular with the inclusion herein of its letter and recommendations and the references to its name in the form and context in which it appears.

GENERAL

1. The Company Secretary of the Company is Ms. Yung Mei Yee MA, FCIS, FCS.
2. The English text of this circular shall prevail over the Chinese text.

DOCUMENTS AVAILABLE FOR INSPECTION

A copy of the S&P Agreement is available for inspection at 32/F, China United Centre, 28 Marble Road, North Point, Hong Kong during normal business hours up to and including 9 January 2004.

NOTICE OF THE EXTRAORDINARY GENERAL MEETING



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

(Incorporated in Hong Kong with limited liability)

NOTICE IS HEREBY GIVEN that the extraordinary general meeting of China United International Holdings Limited (“Company”) will be held at Function Room III, City Garden Hotel, 9 City Garden Road, North Point, Hong Kong on Friday, 9 January 2004, at 9:00 a.m. to consider and, if thought fit, pass the following resolution:

ORDINARY RESOLUTION

1. **“THAT**, the sale and purchase agreement (“S&P Agreement”) entered into between the Company and Hennabun Management Inc. (“HMI”) pursuant to which the Company agreed to purchase and HMI agreed to sell 200 million shares of HK\$0.02 each in the capital of Radford Capital Investment Limited at HK\$0.12 each for a consideration of HK\$24 million (a copy of which has been produced to this meeting marked “A” and initialled by the Chairman of the meeting for the purpose of identification) be and are hereby approved, confirmed and ratified and that the directors of the Company (“Directors”) be and are hereby authorised to take such action as may in the opinion of the Directors be necessary or desirable to give effect to the terms of the S&P Agreement.”

By Order of the Board
Chung Wilson
Managing Director

Hong Kong, 24 December 2003.

Notes:

1. A form of proxy for use at the meeting or adjourned meeting is enclosed.
2. A member entitled to attend and vote at a meeting of the Company is entitled to appoint one or more proxies to attend and vote in his stead in accordance with the articles of association of the Company. A proxy need not be a member of the Company. A member may appoint more than one proxy to attend on the same occasion.
3. To be valid, the instrument appointing a proxy must be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under seal or under the hand of an officer or attorney duly authorised.

NOTICE OF THE EXTRAORDINARY GENERAL MEETING

4. In order to be valid, the form of proxy together with the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power of attorney or authority must be deposited at the Company's registered office at 32nd Floor, China United Centre, 28 Marble Road, North Point, Hong Kong, not less than 48 hours before the time appointed for the holding of the meeting (or any adjournment thereof) and in default the form of proxy shall not be treated as valid. Completion and return of the form of proxy will not preclude members of the Company from attending and voting in person at the meeting (or any adjournment thereof) should they so wish.

5. Where there are joint registered holders of any share, any one of such persons may vote at the meeting either personally or by proxy, in respect of such shares as if he were solely entitled thereto. However, if more than one of such joint holders be present at the meeting personally or by proxy, that the person whose name stands first in the register of members of the Company in respect of such share shall alone be entitled to vote in respect thereof.