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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)**

**ADJUSTMENT TO THE EXERCISE PRICE OF WARRANTS  
AND  
LAPSE OF PLACING OF THE CONVERTIBLE NOTES**

As a result of the Bonus Issue, the exercise price of the Warrants will be adjusted from HK\$0.38 to HK\$0.15 with effect from 1st June 2004. Reference is also made to the Announcements of the Company in relation to the placing of the CN. The Company announces that the placing of the CN has been lapsed on 31st May 2004 pursuant to the terms and conditions of the Placing Agreement.

As a result of the bonus issue of shares (the “Bonus Issue”) of China United International Holdings Limited (the “Company”), details of which are included in the circular of the Company dated 13th May 2004, the exercise price of the warrants of the Company issued on 12th November 2003 (the “Warrants”) would need to be adjusted in accordance with the terms of the instrument constituting the Warrants. The exercise price of the Warrants will be adjusted from HK\$0.38 per share of the Company (the “Share”) to HK\$0.15 per Share (subject to adjustments) with effect from 1st June 2004. The adjustment has been reviewed by the auditors of the Company.

Reference is also made to the announcement of the Company dated 29th December 2003 and 26th March 2004 (collectively the “Announcements”) in relation to the placing of convertible notes (the “CN”) in the amount of HK\$93.44 million. Unless otherwise stated, all capitalized terms used herein shall have the same meanings as those defined in the Announcements.

As a result of the Bonus Issue of the Company, details of which are included in the circular of the Company dated 13th May 2004. The conversion price of the CN would need to be adjusted downwards in accordance with the terms of the instrument constituting the CN. Hence, the conversion of all the CN will incur the Company to issue the number of new shares that will be greater than the number of new shares that the shareholders of the Company has granted to the Board to issue new shares pursuant to the general mandate dated 31st May 2004 (the “General Mandate”). Although the Placing Agent has already procured certain indicative interest for the whole amount of the CN, the insufficient amount of new issue shares for the conversion of the CN under the General Mandate has caused the Company to consider seeking specific mandate in relation to the issuance of CN pursuant to the Placing Agreement. As a result, the Company has undergone the discussion with the Placing Agent and the Financial Adviser in relation to the issuance of the convertible notes by specific mandate of the Company for which will require the approval from the shareholders of the Company. However, no agreement has been concluded whether or not to

proceed with the issuance of the convertible notes as at the date of this announcement. As a result, the Company has agreed with the Placing Agent and the Financial Adviser to lapse the Placing Agreement on 31st May 2004 pursuant to the terms and conditions of the Placing Agreement and will make further announcement whenever any agreement in relation to the issuance of the convertible notes has been reached.

All obligation of each of the parties under the Placing Agreement shall cease and determine and no party shall have any claims against any other parties in respect of any matters arising out of or in connection with the Placing Agreement. The Board considers that the lapse of the Placing Agreement will not have material impact on the financial position of the Company and the group as a whole because the intended use of proceeds is for the purposes of general working capital.

As at the date of this announcement, the Board comprises four executive directors, namely, Mr. Chuang Yueheng, Henry, Mr. Chung Wilson, Mr. Lo Kan Sun and Mr. Wong Ying Seung, Asiong and three independent non-executive directors, namely Mr. Lam Ping Cheung, Mr. Ong Peter and Mr. Miu Frank H.

By order of the Board  
**China United International Holdings Limited**  
**Chung Wilson**  
*Managing Director*

Hong Kong, 31st May 2004