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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 CONVERSION PRICE OF CONVERTIBLE NOTES
AND
PLACING OF CN
CONNECTED TRANSACTION**

Adjustment of conversion price

The conversion price of the Convertible Notes will be adjusted from HK\$1.48 per Share to HK\$0.592 per Share with effect from 14th June 2004 as a result of the Bonus Issue.

Placing of CN

On 11th June 2004, the Company entered into Placing Agreement with the Placing Agent and the Financial Adviser in relation to the Placing, on a best effort basis, by the Placing Agent of the CN in the denomination of HK\$1,000,000 each. Upon full conversion of the CN, the Conversion Shares to be issued at the Conversion Price of HK\$0.5 per Share will represent approximately 14.15% of the existing issued share capital of the Company and approximately 12.4% of the issued share capital of the Company as enlarged by the issue of the Conversion Shares. If the CN are fully placed, the net proceeds from the Placing of approximately HK\$78.4 million will be used as HK\$64 million, HK\$7.2 million and HK\$7.2 million respectively to reduce borrowing, working capital and to finance the Company's possible future investment in Macau. The Company is studying the potential joint venture investment on the hotel having the gambling, gaming, entertainment center as well as other facilities in Macau. Neither the percentage of interest in the joint venture nor any verbal or written agreements have been concluded yet.

A circular containing details of the Placing together with a notice convening the EGM will be despatched to the Shareholders as soon as practicable because the Placing involve the issuance of the Conversion Shares under special mandate.

Connected Transaction

The Placing Agent and the Financial Adviser are the connected persons to the Company pursuant to the Rule 1.01 of the Listing Rules. Hence, the Placing shall be regarded as the connected transaction as defined under Rule 14A.13 of the Listing Rules. The aggregate amount of the placing commission and the documentation fee paid to the Placing Agent and the Financial Adviser will not more than approximately HK\$1.6 million assuming that all CN are fully placed. Such connected transaction is on normal commercial terms and pursuant to the Rule 14A.32 of the Listing Rules that is only subject to reporting and announcement requirements and is exempted from the independent Shareholders' approval. Under Rule 14A.45 of the Listing Rules, the details of this connected transaction must be included in the Company's next published annual report and accounts.

Adjustment of conversion price

It was announced by the Company on 22nd April 2004 that the Board intended to put forward the Bonus Issue, details of which are included in the circular of the Company dated 13th May 2004. As a result of the Bonus Issue, the conversion price of the Convertible Notes would need to be adjusted in accordance with the terms of the instrument constituting the Convertible Notes. The conversion price of the Convertible Notes was adjusted from HK\$1.48 per Share to HK\$0.592 per Share (subject to adjustments) with effect from 14th June 2004. The adjustment has been reviewed by the auditors of the Company.

PLACING OF CN

THE PLACING AGREEMENT DATED 11TH JUNE 2004

On 11th June 2004, the Company entered into the Placing Agreement with the Placing Agent and the Financial Adviser in relation to the Placing, on a best effort basis, by the Placing Agent of the CN. The Placing Agent and the Financial Adviser are the connected persons to the Company pursuant to Rule 1.01 of the Listing Rules. Hence, the Placing shall be regarded as the connected transaction as defined under Rule 14A.13 of the Listing Rules. Such connected transaction is on normal commercial terms and pursuant to the Rule 14A.32 of the Listing Rules that is only subject to reporting and announcement requirements and is exempted from the independent Shareholders' approval. Under Rule 14A.45 of the Listing Rules, the details of this connected transaction must be included in the Company's next published annual report and accounts.

Issuer

The Company

Placees

Not less than six individual, institutional and/or professional investors, who are independent third parties and not connected persons of the Company as defined under the Listing Rules.

Placing Commission And Documentation Fee

The Placing Agent has agreed to place the CN on a best effort basis and will receive a fee of 1.5% on the gross proceeds of the CN successfully placed as the placing commission. The Financial Adviser has agreed to liaise and prepare relevant documents including this announcement and the circular in relation to the Placing and will receive a fee of HK\$400,000 as the documentation fee irrespective of the amount of the CN being placed. These fees were agreed after arm's length negotiations between the Company, the Placing Agent and the Financial Adviser. The Board considers that these fees are in line with the market. The net proceeds of the Placing are approximately HK\$78.4 million if the CN are fully placed.

CN*Principal amount and denomination*

Up to HK\$80 million in denomination of HK\$1,000,000 each. The Company will make further announcement if the placing of the CN is completed or in the event that the amount of CN successfully placed is less than HK\$80 million.

Maturity

All CN will be matured on the fifth anniversary from the date of issue.

Interest

The CN will bear interest at a rate of 7.8% per annum on the principal amount of the CN outstanding. Each interest period is twelve months.

Redemption date

The Company may redeem the CN at 100% of the outstanding principal amount of the CN from the date of issue until a date 7 days prior to (and excluding) the maturity date of the CN.

Conversion

The outstanding principal amount of the CN may be convertible into the Shares in amounts or integral multiples of HK\$1,000,000 at any time from the date of issue up to 7 days before (and excluding) the maturity date of the CN.

The Conversion Price of HK\$0.5 per Share (subject to adjustment as provided in the terms and conditions of the CN) represents (i) a discount of approximately 7.41% to the closing price of HK\$0.54 per Share quoted on the Stock Exchange on the date of this announcement; and (ii) a discount of approximately 12.89% to the average closing price of HK\$0.574 per Share as quoted from the Stock Exchange from 7th June 2004 to 11th June 2004, both dates inclusive, being the last five full trading days immediately before and up to the issue of this announcement.

The Board considers that (i) the Placing is an appropriate means of raising long-term capital for the Company (ii) the Placing will not have an immediate dilution effect on the shareholding of the existing Shareholders; and (iii) the recent improvement in the market sentiments provides a good opportunity for the Company to raise funds.

The Conversion Price was agreed after arm's length negotiations between the Placing Agent, the Financial Adviser and the Company. The Board considers that the Conversion Price is fair and reasonable and is in the interests of the Shareholders and the Company as a whole. The Board also considers that the timing of the Placing to be appropriate.

Shares to be issued upon conversion

The Shares to be issued upon conversion of the CN will be issued under special mandate and rank equally in all respects among themselves and with the Shares in issue on the relevant date of conversion. If all the CN are converted at the Conversion Price of HK\$0.5 per Share (subject to adjustment as provided in the terms and conditions of the CN), a total of 160 million Shares will be issued. These Shares represent approximately 14.15% of the existing issued share capital of the Company, and approximately 12.4% of the issued share capital of the Company as enlarged by the new Shares to be issued upon conversion of the CN.

Voting rights of holders of the CN

The holders of the CN will not have any right to attend or vote at any meetings of the Company by virtue of their being the holders of the CN.

Transferability

The CN may not be transferred to persons who are connected persons of the Company as defined in the Listing Rules without the prior written consent of the Company and such transaction must be in compliance with the Listing Rules. In addition, the Company will inform the Stock Exchange upon the Company becoming aware that any of the CN have been or are to be transferred to any connected persons of the Company (as defined under the Listing Rules).

Application for listings

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Shares which may fall to be issued upon conversion of the CN. No listing of the CN will be sought on the Stock Exchange or any other stock exchanges.

TERMINATION

The Placing is subject to termination on the occurrence of certain events before 9:30a.m. (Hong Kong time) on the dates for completion of the Placing Agreement including:

1. any material breach of any of the representations and warranties set out in the Placing Agreement; or
2. the introduction of any new law or regulation or any change in existing laws or regulations or change in the interpretation or application thereof; or
3. the occurrence of any event, development or change (whether or not local, national or international or forming part of a series of events or changes occurring or continuing before, on and/or after the date hereof and including an event or change in relation to or a development of an existing state of affairs) of a political, military, industrial, financial, economic or other nature, whether or not sui generis with any of the foregoing, resulting in a material adverse change in, or which might be expected to result in a material adverse change in, political, economic or stock market conditions; or
4. the imposition of any moratorium suspension or material restriction on trading in securities generally on the Stock Exchange occurring due to exceptional financial circumstances or otherwise; or
5. a change or development involving prospective change in taxation in Hong Kong or the People's Republic of China or the implementation of exchange controls which shall or might materially and adversely affect the Company and its subsidiaries (as a whole) or its present or prospective shareholders in their capacity as such; or
6. any change or deterioration in the conditions of local, national or international securities markets occurs.

The Board is not aware of the occurrence of any of such events as at the date of this announcement.

Conditions of the Placing

Completion of the Placing is conditional upon the fulfillment of the following conditions:

- (1) the passing by the Shareholders of a resolution to approve the Placing Agreement and the issue of the CN and Conversion Shares at the EGM; and

- (2) the Listing Committee of the Stock Exchange has granted the listing of and permission to deal in the Conversion Shares.

Completion

The Placing is to be completed on the second business day (or such other date as may be agreed between the Company, the Placing Agent and the Financial Adviser) after satisfaction of the conditions under the paragraph headed “**Conditions of the Placing**” above. The Placing Agreement will lapse if the conditions are not satisfied by 31st August 2004, or such other date as may be agreed between the Company, the Placing Agent and the Financial Adviser. If the Placing Agreement was lapsed, neither parties shall have any claims against the others save for any prior breaches of the Placing Agreement.

SHAREHOLDING STRUCTURE

	Before the Placing		After the Placing and fully conversion of the CN	
	Shares	% of shareholding	Shares	% of shareholding
Radford	287,147,175	25.4%	287,147,175	22.25%
Golden Resources Development International Limited	100,000,000	8.85%	100,000,000	7.75%
Radford Capital Investment Limited	86,328,511	7.64%	86,328,511	6.69%
Public	657,071,820	58.11%	657,071,820	50.91%
Conversion of CN	—	—	<u>160,000,000</u>	<u>12.4%</u>
Total	<u>1,130,547,506</u>	<u>100.00%</u>	<u>1,290,547,506</u>	<u>100.00%</u>

REASONS FOR THE PLACING

The Board considers that (i) the Placing is an appropriate means of raising long-term capital for the Company (ii) the Placing will not have an immediate dilution effect on the shareholding of the existing Shareholders; and (iii) the recent improvement in the market sentiments provides a good opportunity for the Company to raise funds.

The Board (including independent non-executive directors) considers that the terms of the Placing Agreement, which were arrived at after arm’s length negotiations between the Placing Agent, the Financial Adviser and the Company, are fair and reasonable and are in the interests of the Shareholders and the Company as a whole.

USE OF PROCEEDS

The net proceeds of approximately HK\$78.4 million from the Placing will be used as HK\$64 million, HK\$7.2 million and HK\$7.2 million for repayment of borrowing, working capital and possible investment in Macau respectively. The Company is studying the potential joint venture investment in the hotel that having the gambling, gaming and entertainment centers as well as other facilities in Macau. However, no concrete agreements have been concluded yet. The Company does not have any existing business in Macau as at the date of this announcement.

EXISTING CONVERTIBLE NOTES

As at the date of this announcement, there are 350 Convertible Notes of the Company in the amount of HK\$58.8 million outstanding with the denomination of HK\$168,000 each. Save as aforesaid, there are no other convertible notes of the Company.

PRINCIPLE BUSINESS OF THE COMPANY

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

EQUITY FUND RAISED BY THE COMPANY DURING THE 12 MONTHS ENDED 31ST MAY 2004

There has been no equity fund raised by the Group for the 12 months period ended on 31st May 2004.

CONNECTED TRANSACTION

The Placing Agent and the Financial Adviser are the associate companies of the Company and are deemed as connected persons to the Company pursuant to Rule 1.01 of the Listing Rules. Hence the Placing shall be regarded as the connected transaction as defined under the Rule 14A.13 of the Listing Rules. The aggregate amount of the placing commission and the documentation fee paid to the Placing Agent and the Financial Adviser will not more than approximately HK\$1.6 million assuming that all CN are fully placed. Such connected transaction is on normal commercial terms and pursuant to the Rule 14A.32 of the Listing Rules that is only subject to reporting and announcement requirements and is exempted from the independent Shareholders' approval. Under Rule 14A.45 of the Listing Rules, the details of this connected transaction must be included in the Company's next published annual report and accounts.

The Board (including independent non-executive directors) considers that the terms of the Placing Agreement as well as the placing commission and the documentation fee pay to the Placing Agent and the Financial Adviser respectively in relation to the Placing was entered after arm's length negotiation between the Company, the Placing Agent and the Financial Adviser which was in the ordinary course of business of the Company, on normal commercial terms and on terms no less favourable to the Company than terms available from independent third parties, and the terms of that are fair and reasonable and in the interest of the Shareholders and the Company as a whole.

General

A circular containing details of the Placing together with a notice convening the EGM will be despatched to the Shareholders as soon as practicable.

DEFINITIONS

“Board”	the board of directors of the Company
“Bonus Issue”	the bonus issue of Shares
“Company”	China United International Holdings Limited, a company incorporated in Hong Kong with limited liability and the Shares of which are traded on the Stock Exchange
“Convertible Notes”	the convertible notes of the Company issued on 3rd January 2003
“Conversion Price”	the conversion price of the CN of HK\$0.5 per Share (subject to adjustment as provided in the terms and conditions of the CN)
“Conversion Shares”	such number of new Shares to be issued upon the exercise of the conversion rights attaching to the CN
“CN”	the 7.8% convertible redeemable notes for an aggregate principal amount of up to HK\$80 million due on the fifth anniversary from the date of issue
“EGM”	extraordinary general meeting of the Company to be convened to approve the matter referred to herein
“Financial Adviser”	CU Corporate Finance Limited, a company incorporated in Hong Kong with limited liability and a deemed licensed corporation registered under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Group”	the Company and its subsidiaries and associated companies
“HK\$”	Hong Kong dollars
“Placing”	conditional placing of the CN pursuant to the Placing Agreement

“Placing Agent”	Chung Nam Securities 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)
“Placing Agreement”	the conditional placing agreement between the Placing Agent, the Financial Adviser and the Company dated 11th June 2004 in relation to the Placing
“Radford”	Radford Developments Limited, a company incorporated in British Virgin Islands and a substantial shareholder of the Company
“Share(s)”	ordinary share(s) of HK\$0.10 each in the capital of the Company
“Shareholder(s)”	holder of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

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, 11th June 2004