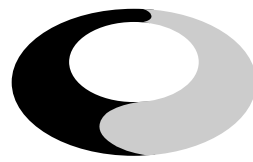


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China United
International Holdings Limited
互聯控股有限公司

(Incorporated in Hong Kong with limited liability)
(Stock Code: 273)

**TERMINATION OF PREVIOUS INVESTMENT OF 10%
IN FOUND MACAU AND HK\$50 MILLION SHAREHOLDERS LOAN
AND
MAJOR AND CONNECTED TRANSACTIONS - INVESTMENT OF 30% IN FOUND
MACAU AND HK\$150 MILLION SHAREHOLDERS LOAN
AND
REDEMPTION OF HK\$53 MILLION EXISTING CONVERTIBLE NOTES
AND
ISSUE OF UP TO HK\$200 MILLION NEW CONVERTIBLE NOTES
AND
RESUMPTION OF TRADING**

This announcement relates to, in summary:-

- (1) the termination of the Company's investment of 10% in Found Macau and the Company's obligation to make the Found Macau Loan of HK\$50 million and this investment is intended to be replaced by the proposed investment set out in (2) below;
- (2) conditional on shareholders approval at the EGM, the Company's investment in 30% in Found Macau and the grant of the New Found Macau Shareholders Loan of HK\$150 million;
- (3) conditional upon shareholders approval of the Placing, the Placing of the New Convertible Notes up to the aggregate principal amount of HK\$200 million; and
- (4) conditional on shareholders approving the Placing at the EGM, the redemption of all outstanding Existing Convertible Notes in the principal amount of HK\$53 million.

Found Macau

On 11th January, 2005, Alpha Aim, entered into (i) the Termination Deed to terminate the Shareholders Agreement and the Found Macau Loan and (ii) the Disposal of 10 FM Shares to Filipe Lau.

On the same day, Alpha Aim entered into the Verbal Agreement with the Founders whereby Alpha Aim agreed, amongst other things, to acquire 30 FM Shares from the Founders, enter into the New Shareholders Agreement and make a shareholders loan of HK\$150 million to Found Macau, conditional upon the approval of Shareholders at the EGM. The New Found Macau Loan will be satisfied at the election of Alpha Aim by payment of a minimum of HK\$50,000,000 in cash and the balance by the issue of the FM Convertible Note.

Existing Convertible Notes

The Company has given notice to the holders of the Existing Convertible Notes that it will redeem all the outstanding Existing Convertible Notes in full in the aggregate principal amount of HK\$53,000,000 at 100% of the outstanding principal amount, subject to Shareholders approving the issue of the New Convertible Notes at the EGM. Completion of the redemption is to take place on the 30th day after the EGM or such other date as the parties may agree. The Company has indicated to the holders of the Existing Convertible Notes that they can contact the Placing Agent in the event they wish to subscribe for the New Convertible Notes.

Placing of New Convertible Notes

On 12th January, 2005, the Company entered into Placing Agreement with the Placing Agent in relation to, amongst other things, the Placing, as to the principal amount of HK\$100 million on a fully underwritten basis and as to the principal amount of HK\$100 million on a best effort basis, by the Placing Agent of the New Convertible Notes. Upon full conversion of the New Convertible Notes, the Conversion Shares to be issued at the initial Conversion Price of HK\$0.25 per Share will represent approximately 58.24% of the existing issued share capital of the Company and approximately 36.81% of the issued Share capital of the Company as enlarged by the issue of the Conversion Shares. If the New Convertible Notes are fully placed, the net proceeds from the Placing of approximately HK\$194 million will be used for redemption of the Existing Convertible Note (with accrued interest) and funding the New Found Macau Loan.

Mr. Lao is the stepfather of Mr. Ong and hence an “associate” of a Director of the Company treated as a connected person of the Company under Rule 14A.11(4)(b). The FM Transactions constitute major and connected transactions for the Company under Rule 14.06 and Rule 14A.13 of the Listing Rules and are subject to approval of shareholders at the EGM. A circular containing details of the Transactions (including the Placing of the New Convertible Notes) together with a notice convening the EGM to approve the Transactions and the advice of an independent financial adviser on the FM Transactions will be despatched to the Shareholders as soon as practicable.

At the request of the Company, trading in the Shares on the Stock Exchange was suspended with effect from 10:14 a.m. on 4th January, 2005 pending the release of this announcement. Application has been made by the Company for the resumption of trading in the Shares on the Stock Exchange with effect from 9:30 a.m. on 13th January, 2005.

Reference is made to the Company's announcement dated 10th, December, 2004 and circular dated 20th December, 2004. On 9th December, 2004, Alpha Aim completed the acquisition of 10 FM Shares, representing 10% of the issued share capital of Found Macau on 9th December, 2004 and on the date of this announcement, for US\$10.00 and entered into the Shareholders Agreement relating to Found Macau. Alpha Aim also agreed to make the Found Macau Loan of HK\$50 million to Found Macau but drawdown has not occurred as at the date of this announcement.

THE DISPOSAL

On 11th January, 2005, Alpha Aim disposed of 10 FM Shares which represents its entire interest in Found Macau as at the date of this announcement to Filipe Lau for US\$10.00. The acquisition cost of the 10 FM Shares by Alpha Aim on 9th December, 2004 was US\$10.00. The Disposal has been completed.

TERMINATION DEED

Date: 11th January, 2005

Parties: the Founders
Alpha Aim

Terms: the parties agreed to terminate the Shareholders Agreement in relation to Found Macau and its obligation to make the Existing Found Macau Loan

Shareholders of Found Macau

As at the date of this announcement, the shareholders of Found Macau are:

- (1) Lao Hin Chun - 29 FM Shares, representing 29% of the issued share capital of Found Macau;
- (2) Filipe Lau - 40 FM Shares (including the 10 FM Shares acquired from Alpha Aim pursuant to the Disposal), representing 40% of the issued share capital of Found Macau;
- (3) Lourenco Cheong - 30 FM Shares, representing 30% of the issued share capital of Found Macau; and
- (4) Vision Gate - 1 FM Share, representing 1% of the issued share capital of Found Macau. Vision Gate is required to contribute a shareholders loan in the amount of HK\$5,000,000 in cash on the same terms as the New Found Macau Loan to Found Macau shortly (save as to amount and that it is contributed in cash).

The Founders and Vision Gate acquired the shares in Found Macau at par value of US\$1.00 each.

Vision Gate

Vision Gate is a wholly-owned subsidiary of Unity. Vision Gate is an investment holding company set up to invest in Found Macau. As at the date of this announcement, the Company holds 38 million shares in Unity, representing approximately 9.9% of the issued share capital of Unity. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Vision Gate is not a Connected Person of the Company and is otherwise independent of the Company and Connected Persons of the Company.

THE VERBAL AGREEMENT

Date: 11th January, 2005

Parties: the Founders
Alpha Aim

Terms: Conditional upon approval of the FM Transactions (excluding the Placing) by Shareholders at the EGM:-

- (i) Alpha Aim will acquire 30 FM Shares at US\$30 from the Founders;
- (ii) Alpha Aim will make the New Found Macau Loan of HK\$150 million to Found Macau details of which are described below; and
- (iii) Alpha Aim will enter into the New Shareholders Agreement with the Founders and Vision Gate.

There are no other conditions precedent which are required to be satisfied prior to completion of the Verbal Agreement.

If shareholders approve the FM Transactions but not the Placing at the EGM, the Company intends to fund its obligation under the New Found Macau Loan by internal resources, equity or debt fund raising exercises or a combination thereof depending on market conditions.

If the terms of the New Shareholders Agreement when executed are materially different to that set out below, the Company will notify Shareholders by way of an announcement.

The shareholding structure of Found Macau on completion of the Verbal Agreement will be:-

- (1) The Founders - 69% (to be held by Lao Hin Chun as to 19%, Filipe Lau as to 30% and Lourenco Cheong as to 20%)
- (2) Alpha Aim - 30%
- (3) Vision Gate - 1%

The Verbal Agreement has not been reduced to writing yet.

It is the present intention of the shareholders of Found Macau that the new investors will be located by the end of March 2005. No new investor has confirmed its investment in Found Macau, so the Company is not in a position to comment on whether any of them are connected persons of the Company at this stage.

The purpose of this arrangement is to allow Alpha Aim to maintain a minimum 30% shareholding in Found Macau when new investors invest in the Company whilst the Founders' shareholding is reduced. The Founders are not expected to provide any shareholders loans to Found Macau. The Founders will serve on the board of Found Macau for the purposes of introducing investment projects to Found Macau and to locate new investors. Once a total of HK\$500 million of shareholders loans is raised, the Founders are expected to have no further shareholding in Found Macau, save that they may be directly or indirectly interested in the 2 new FM Shares as described in the section headed "New Issue of FM Shares" below. The existing shareholders of Found Macau (other than the Founders) are entitled (but not obliged) to make further investments in Found Macau under this arrangement. If there are insufficient new investors in Found Macau on 31st March, 2005 (or such other date as the Shareholders of Found Macau other than the Founders may agree), the Founders will transfer all of their shares at par value to the other shareholders pro rata to each shareholders' loan as a proportion of the total shareholders' loans. The Company does not have any present intention to make additional investment in or contribute additional shareholders' loan to Found Macau.

So far as the Company is aware, no connected person of the Company has any intention at present to invest in Found Macau or is currently in negotiation with the Founders, the Company or Vision Gate in relation to an investment in Found Macau.

Non-competition

The Founders will warrant in the New Shareholders Agreement that:-

- (1) the FM Group will be the sole owner of all intellectual property rights required for the carrying on of the FM Business and such rights shall not be subject to any encumbrances and/or limitations and/or restrictions;
- (2) the FM Group will be given the first right of refusal in respect of all projects related to the FM Business which are introduced to any member of the FM Group and/or the Founders or their respective associates and should Found Macau decide not to accept any project, no party ("Offeree") which is related to Found Macau (except for an FM Group company), the Founders, directors of Found Macau or any of them or their associates may accept an offer of such project on terms which on more favourable terms to such Offeree than those on which such project was offered to Found Macau.

Repayment of shareholders' loan/Dividend

For so long as any shareholders' loans are outstanding, the Company shall not declare, make or pay any dividends or other distributions whatsoever. The Company shall repay the shareholders' loan from time to time as soon as it can lawfully do so and a like proportion of each shareholders' loan shall be repaid at the same time so that no part of shareholders' loan shall be repaid unless a like proportion of each of the shareholders' loan is simultaneously repaid.

Termination of the New Shareholders Agreement

The New Shareholders Agreement will terminate upon the earlier of:-

- (1) a written agreement to terminate by all parties to the Agreement; or
- (2) the liquidation, dissolution or winding up of Found Macau; or
- (3) Found Macau raising HK\$500 million (inclusive of the New Found Macau Loan and the shareholders' loans from Vision Gate) as contemplated under the New Shareholders Agreement (as the Founders should no longer be shareholders of Found Macau by then).

New Issue of FM Shares

The shareholders of Found Macau will agree that once HK\$500 million of shareholders loans (in whatever form) is raised by Found Macau, Found Macau shall issue 2 new FM Shares at the par value of US\$1.00 each to such persons (currently intended to be a company held by employees, directors of Found Macau etc. but who have not been identified at the date of this announcement) as the board of Found Macau shall approve. When the shareholders' loans (in whatever form) of HK\$500 million is repaid in full, the holders of the 2 new FM Shares shall be entitled to share in dividends of Found Macau pro-rata to their shareholding and such 2 new FM Shares shall in all respects rank pari passu to all other FM Shares.

The reason for this arrangement is to provide incentives to the employees and directors of Found Macau to locate new investors, to source new investment projects and manage such projects for Found Macau and generally to contribute towards the success of Found Macau. This arrangement however will allow them to reap returns only when the shareholders' loans are repaid.

NEW FOUND MACAU LOAN

Subject to approval by shareholders at the EGM, the Found Macau Loan in the amount of HK\$150,000,000 to be made by Alpha Aim to Found Macau shall be satisfied at the Company's election as to a minimum of HK\$50,000,000 in cash (partly to be funded from the net proceeds of the Placing and the balance by internal resources) and as to the balance by the issue by the Company of the FM Convertible Note as described in the section headed "FM Convertible Note" below. The New Found Macau Loan will be unsecured, interest free and repayable after 8 years from the date of drawdown on demand and will be evidenced by the Promissory Note to be executed by Found Macau in favour of Alpha Aim.

Once advanced, the New Found Macau Loan constitutes an advance to an entity under Rule 13.13 of the Listing Rules. The Company intends to fund the New Found Macau Loan as to the cash portion partly with the net proceeds of the New Convertible Notes and partly by internal resources and the balance by the issue of the FM Convertible Note.

GENERAL INFORMATION

Found Macau:

Found Macau is an investment holding company and it intends to invest in gambling, entertainment and related businesses (currently expected to be businesses including but not limited to the operation of hotels, food and beverage facilities etc.) in Macau through its subsidiaries. Found Macau is intended to act as a holding company and will make investments through subsidiaries to be formed. Found Macau is in the process incorporating subsidiaries for future investments. Found Macau has presently identified two investment targets in Macau and expects to enter into preliminary agreements shortly but no assurance is given that they will be entered into or as to their terms. One of the identified targets is a vacant piece of land in Macau of approximately 260,000 square feet, the acquisition consideration of which is expected to be in the region of HK\$240 million to HK\$300 million. Found Macau currently intends to build a hotel housing a casino on the land. The second identified target relates to the lease of a property of approximately 10,000 to 15,000 square feet hotel already in operation in Macau and then renovating, decorating, preparation and delivery of this property to a casino or slot machine operator on terms to be agreed. The cost of this investment is expected to be in the region of HK\$150 million. The terms and exact details of such investments are subject to negotiation and finalisation. Based on information provided to the Company by Found Macau, Found Macau has no current right or intention to directly engage in the operation of casinos.

Found Macau has not conducted any business or made any profits or incurred any losses from its date of incorporation 1st October, 2004 to the date of this announcement.

The Found Macau Acquisition is the result of negotiations conducted on the matters referred to in the section headed "Investment in Macau" in the November Announcement. The Founders are the "businessmen" referred to in the November Announcement. The "Investment Target" being a casino with hotel operations in Macau referred to therein is the second identified investment target of Found Macau mentioned above.

The Founders

The Founders possess substantial experience in managing casino, hotel, entertainment and casino related business in Macau.

Mr. Lao Hin Chun, aged 64, has over 40 years of experience in the property development, construction and building material and garment related businesses. Mr. Lao is the Administrador of Companhia De Betao Pronto Lda. Mr. Lao is also very active in

participating and supporting charitable social activities in Macau and is currently the Presidente of Fundo De Beneficencia Dos Leitoresdo Jornal Ou Mun and a Membro Permanentes of Associacao Comercial De Macau. Moreover, Mr. Lao is also the Membro Do Comite Nacional Da Conferencia Consultiva Politica Da Republica Popular Da China.

Mr. Filipe Lau , aged 61, has over 30 years of experience in providing advice and project management services to several enterprises engaged in property development, operation of casinos, hotels, restaurants and entertainment related businesses in Macau.

Mr. Lourenco Cheong, aged 40, has over 15 years of experience in promoting business opportunities and prospects in Macau to international investors as well as helping businessmen in Macau to invest aboard and/or expand their products and businesses overseas. Mr. Cheong was the Executive Director of Macau Trade And Investment Promotion Institute and is the Managing Director of Belor Company Limited and was involved in providing consultancy services to (i) international investors investing in Macau; and (ii) Macau enterprises in seeking joint venture partners and/or expanding their businesses overseas.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, save and except for Mr. Lao (stepfather of Mr. Ong), the Founders are not Connected Persons of the Company and are otherwise independent of the Company and Connected Persons of the Company.

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

Alpha Aim is a wholly-owned subsidiary of the Company that was established specifically for the investment in Found Macau.

The relationship between Mr. Ong and Mr. Lao was not disclosed in the announcement of the Company dated 9th December, 2004 and circular dated 20th December 2004 because the Board was not aware of it at the relevant time and was made aware of this information shortly after the issue of the announcement of 9th December, 2004 and the circular dated 20th December, 2004.

REASONS FOR THE TRANSACTION

The acquisition price of US\$30 for the 30 FM Shares is based on the par value of US\$1 per FM Share. Found Macau's intention is to raise HK\$500 million in the form of shareholders loans. The provision of the New Found Macau Loan of HK\$150 million by Alpha Aim is based on Alpha Aim's shareholding interest of 30% in Found Macau upon approval of the FM Transactions. The Company is of the view that terms of the New Found Macau Transactions are a good opportunity to increase its investment in Found Macau, which now is close (subject to contract) to agreeing formally the acquisition of previously identified investment targets and new investment targets.

The reason the Company entered into the Termination Deed and the Disposal and the FM Transactions is due to Found Macau's recent expedited progress in identifying and negotiating on investment targets which requires substantial investment. Hence, the original Found Macau Loan of HK\$50 million is not sufficient for the purpose of funding the identified investment targets of Found Macau. The Company does not have any current intention to make further investments in Found Macau.

The Directors are of the view that the term of the FM Transactions are fair and reasonable and in the interests of shareholders as a whole. Mr. Ong abstained from voting at the board meeting on the FM Transactions. The independent non-executive directors (excluding Mr. Ong who has a material interest in the FM Transactions) will form a view on the FM Transactions once they have reviewed the opinion of the independent financial adviser.

IMPLICATIONS UNDER THE LISTING RULES

The Group will through its wholly-owned subsidiary, Alpha Aim, hold a 30% equity stake in Found Macau after completion of the New FM Acquisition but Found Macau will not become a subsidiary of the Company as a result of the New FM Acquisition. Found Macau has not commenced business yet and as at the date of this announcement not involved in the operation of any casino and entertainment business.

No licence is required in Hong Kong for the operation of the casino and entertainment business in Macau if the casino and entertainment operations are conducted exclusively offshore. The Company will use its best endeavours (insofar as it is able in its capacity as a shareholder in Found Macau to do so) to ensure that for as long as the Company has a direct or indirect interest in the Found Macau, the casino and entertainment business carried out by Found Macau will comply with the applicable laws in the areas where such activities operate and will not contravene the Gambling Ordinance of Hong Kong insofar as it is applicable.

Shareholders should be aware that under the Guidelines issued by the Stock Exchange in relation to "Gambling Activities undertaken by listed applicants and/or listed issuers" dated 11th March, 2003, should the Group be engaged in gambling activities and operation of such gambling activities (i) fail to comply with the applicable laws in the areas with such activities operate and/or (ii) contravene the Gambling Ordinance such that the Company or its business may be considered unsuitable for listing under Rule 8.04 of the Main Board Listing Rules, the Stock Exchange may direct the Company to take remedial action, and/or may suspend the dealings in, or may cancel the listing of, its securities.

Mr. Ong, Mr. Lao, Lourenco Cheong and their respective Associates do not hold any Shares as at the date of this announcement. Unity beneficially holds 19,648,000 shares, representing approximately 1.43% of the issued share capital of the Company as at the date of this announcement. Filipe Lau holds 2,000,000 shares, representing approximately 0.15% of the issued share capital of the Company as at the date of this announcement.

Mr. Lao is the stepfather of Mr. Ong and hence an "associate" of a director of the Company treated as a connected person of the Company under Rule 14A.11(4)(b) of the Listing Rules. The FM Transactions constitute major and connected transactions under Rule 14.06 and Rule 14A.13 of the Listing Rules and are subject to approval of independent shareholders at the

EGM. Unity, Filipe Lau and their respective Associates who have a material interest in the Transactions are required to abstain from voting at the EGM on the Transactions. Save and except for Unity, Filipe Lau and their respective Associates, there is no shareholder with a material interest in the FM Transactions which is required to abstain from voting. Radford Developments Limited (see note 2 of the section headed "Shareholding Structure" below) does not have any material interest in the FM Transactions and the Placing but has indicated to the Company that it is the intention of the trust which controls Radford Developments Limited that it will abstain from voting on the resolutions relating to the FM Transactions and the Placing proposed at the EGM on the grounds that it is sensitive business decision and will let minority shareholders to vote on this matter at the EGM.

EXISTING CONVERTIBLE NOTES

The Company has given notice to the holders of the Existing Convertible Notes that it will redeem all the outstanding Existing Convertible Notes in full in the aggregate principal amount of HK\$53,000,000 at 100% of the outstanding principal amount, subject to Shareholders approving the issue of the New Convertible Notes at the EGM. The redemption will be made in accordance with the terms of the Existing Convertible Note save that the timing for completion is different and that it is a conditional redemption. Completion of the redemption shall take place on the 30th day after the EGM (or such other date as the Company and the holders of the Existing Convertible Notes may agree). The Company has indicated to the holder of the Existing Convertible Notes that they can contact the Placing Agent in the event they wish to subscribe for the New Convertible Notes and set off with the Company the subscription monies payable by them to the Company for the New Convertible Note against the amount payable by the Company to them on redemption of the Existing Convertible Notes. The redemption will be funded by part of the proceeds of the Placing.

PLACING OF NEW CONVERTIBLE NOTES

THE PLACING AGREEMENT

Date: 12th January, 2005

Parties: the Placing Agent
the Company

The Company entered into the Placing Agreement with the Placing Agent in relation to the Placing by the Placing Agent of the New Convertible Notes.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Placing Agent is not a Connected Person of the Company and is otherwise independent of the Company and Connected Persons of the Company.

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.

So far as the Company is aware, Found Macau and the Founders have no present intention to subscribe for the New Convertible Note (save for the FM Convertible Notes to be issued to Found Macau).

Placing Commission

The Placing Agent has agreed to place the New Convertible Notes as to the principal amount of HK\$100 million on a best efforts basis and as to the principal amount of HK\$100 million on a fully underwritten basis and will receive a fee of 2% on the gross proceeds of the New Convertible Notes successfully placed as the placing commission. These fees were agreed after arm's length negotiations between the Company and the Placing Agent. The Board considers that these fees to be in line with the market standards. The net proceeds of the Placing will be approximately HK\$194 million, if the New Convertible Notes are fully placed.

Terms of the New Convertible Notes*Principal amount*

Up to HK\$200 million

Denomination

HK\$500,000

Maturity

The New Convertible Notes will mature on the fifth anniversary from the date of issue.

Interest

The New Convertible Notes will be non-interest bearing.

Redemption date

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

Conversion

The outstanding principal amount of the New Convertible Notes may be converted into the Shares in amounts or integral multiples of HK\$500,000 at any time from the date of issue up to 7 days before (and excluding) the maturity date of the New Convertible Notes.

Conversion Price

The Conversion Price of HK\$0.25 per Share (subject to adjustment as provided in the terms and conditions of the New Convertible Notes) represents (i) a premium of approximately 17.92% to the closing price of HK\$ 0.212 per Share quoted on the Stock Exchange on 3rd January, 2005 the day prior to suspension of dealings in the Shares; and (ii) a premium of approximately 17.37% to the average closing price of HK\$0.213 per Share as quoted from the Stock Exchange from 20th December, 2004 to 3rd January, 2005, both dates inclusive, being the last ten full trading days immediately before the date of suspension of trading in shares (4th January, 2005).

The Conversion Price was agreed after arm's length negotiations between the Placing Agent 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 in view of the FM Transactions and market conditions.

Shares to be issued upon conversion

The Shares to be issued upon conversion of the New Convertible Notes will when issued and rank equally in all respects among themselves and with the Shares in issue on the relevant date of conversion. If all the New Convertible Notes are converted at the Conversion Price of HK\$0.25 per Share (subject to adjustment as provided in the terms and conditions of the New Convertible Notes), a total of 800 million Shares will be issued. These Shares represent approximately 58.24% of the existing issued share capital of the Company, and approximately 36.81% of the issued share capital of the Company as enlarged by the new Shares to be issued upon conversion of the New Convertible Notes (assuming no further shares are issued by the Company from the date of this announcement till the date of conversion).

Voting rights of holders of the New Convertible Notes

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

Transferability

The New Convertible Notes will not be transferable to persons who are connected persons of the Company as defined in the Listing Rules without the prior written consent of the Company. The Company will inform the Stock Exchange upon the Company becoming aware that any of the New Convertible Notes 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 New Convertible Notes. No listing of the New Convertible Notes will be sought on the Stock Exchange or any other stock exchanges.

TERMINATION

The Placing is subject to termination if before 9 a.m. (Hong Kong time) on the date for Completion of the Placing Agreement if in the reasonable opinion of the Placing Agent the success of the Placing or the business or financial prospects of the Group would or might be affected by:

1. any material breach of any of the representations and warranties set out in the Placing Agreement; or
2. any of the following events:-
 - (i) 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
 - (ii) 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
 - (iii) 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
 - (iv) 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 or its present or prospective shareholders in their capacity as such; or
 - (v) 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 fulfilment of the following conditions:

- (1) the Listing Committee of the Stock Exchange granting (either unconditionally or subject only to conditions to which the Company, does not reasonably object) listing of and permission to deal in the Conversion Shares;
- (2) the Stock Exchange having approved (either unconditionally or subject only to conditions to which the Company does not reasonably object) the issue of the New Convertible Notes, or the Company not having received any objection from the Stock Exchange to the issue of the New Convertible Notes; and
- (3) the passing by the Shareholders of a resolution to approve the Placing Agreement, the issue of the New Convertible Notes and Conversion Shares at the EGM.

Completion

The Placing is to be completed on the third business day (or such other date as may be agreed between the Company and the Placing Agent) 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 15th March, 2005, or such other date as may be agreed between the Company, the Placing Agent. If the Placing Agreement lapses, none of the parties shall have any claims against the others save for any prior breaches of the Placing Agreement.

FM CONVERTIBLE NOTE

To the extent the New Convertible Notes in the principal amount of HK\$100 million which the Placing Agent has agreed to place on a best efforts basis are not fully placed, the Company shall issue the FM Convertible Note in the principal amount equivalent to the amount that has not been placed and otherwise on the same terms as the New Convertible Notes to Found Macau. The FM Convertible Note will be issued to Found Macau to partially satisfy Alpha Aim’s obligation to make the New Found Macau Loan. The FM Convertible Note, if issued, will form part of the New Convertible Notes and will be issued on the same terms as the New Convertible Note as described above. If the New Convertible Notes in the aggregate principal amount of HK\$200 million are fully placed by the Placing Agent or if shareholders do not approve the FM Transactions at the EGM, the FM Convertible Note will not be issued.

SHAREHOLDING STRUCTURE

Name of Shareholders	As at the date of this announcement		After the Placing of the New Convertible Notes in the principal amount of HK\$200 million and assuming full conversion of the New Convertible Notes and no further shares are issued from the date of this announcement till the date of conversion		After the Placing of the New Convertible Notes by the Placing Agent up to the principal amount of HK\$100 million and assuming the FM Convertible Note is issued to Found Macau in the principal amount of HK\$100 million	
	Shares	% of	Shares	% of	Shares	% of
		shareholding		shareholding		shareholding
Radford Developments Limited (Notes 1 and 2)	270,861,892	19.72%	270,861,892	12.46%	270,861,892	12.46%
Found Macau (Note 4)	Nil	Nil	Nil	Nil	400,000,000	18.405%
PUBLIC SHAREHOLDERS						
Heritage International Holdings Limited (Notes 1 and 3)	134,750,163	9.81%	134,750,163	6.20%	134,750,163	6.20%
Radford Capital Investment Limited (Notes 1 and 3)	105,983,363	7.72%	105,983,363	4.88%	105,983,363	4.88%
Chau Tuk Shun (Note 3)	72,822,000	5.30%	72,822,000	3.35%	72,822,000	3.35%
Holders of the New Convertible Notes	Nil	Nil	800,000,000	36.81%	400,000,000	18.405%
Others (Note 3)	<u>789,166,328</u>	<u>57.45%</u>	<u>789,166,328</u>	<u>36.30%</u>	<u>789,166,328</u>	<u>36.30%</u>
Total	<u>1,373,583,746</u>	<u>100%</u>	<u>2,173,583,746</u>	<u>100%</u>	<u>2,173,583,746</u>	<u>100%</u>

Note 1: Based on the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance as at the date of this announcement.

Note 2: These shares 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.

Note 3: Heritage International Holdings Limited (Stock Code: 412), Radford Capital Investment Limited (Stock Code: 901) and Chau Tuk Shun are public shareholders, with the meaning of the Listing Rules.

Note 4: Found Macau's shareholding in the Company will depend on the principal amount of the FM Convertible Note issued to it. If Found Macau's shareholding in the Company is more than 10% upon the issue of the FM Convertible Note it will not be considered as a "public shareholder".

REASONS FOR THE PLACING

The Board considers that (i) the Placing is an appropriate means of raising capital for the Company to redeem the Existing Convertible Note (with accrued interest) and to fund the New Found Macau Loan; (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 the 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 and the Company, are fair and reasonable and are in the interests of the Shareholders and the Company as a whole.

USE OF PROCEEDS

If the New Convertible Notes are fully placed, the net proceeds of the Placing will be approximately HK\$194 million, which is to be used as to approximately HK\$55 million to redeem the Existing Convertible Notes (with accrued interest) and the balance of up to approximately HK\$139 million to fund the New Found Macau Loan. If the New Convertible Notes are placed up to underwritten principal amount of HK\$100 million only, the net proceeds of the Placing will be approximately HK\$97 million, which will be used as to approximately HK\$55 million to redeem the Existing Convertible Notes (with accrued interest) and the balance of approximately HK\$42 million to fund the cash portion of the New Found Macau Loan.

FUND RAISING ACTIVITIES BY THE COMPANY DURING THE PAST 12 MONTHS

The Company issued the Existing Convertible Notes, details of which are mentioned in the Company's announcements dated 11th June, 23rd July and 9th November, 2004. The net proceeds of the issue of the Existing Convertible Notes was approximately HK\$53.7 million. The net proceeds were used for reducing the borrowing of the Company.

The Company placed 17,640,000 new shares at HK\$0.24 per Share, as referred to in the Company's announcement dated 29th November, 2004. The net proceeds of the placing was HK\$4 million. The net proceeds were to be used for general working capital purposes.

Save as for the above, there have been no equity fund raising activities conducted by the Group in the past 12 months.

The Board (including the independent non-executive directors) consider that the terms of the Placing Agreement, which were entered after arm's length negotiation between the Company and the Placing Agent, to be on normal commercial terms and that such terms are fair and reasonable and in the interest of the Shareholders and the Company as a whole.

A circular containing details of the Transactions, including notice of the EGM and the advice of an independent financial adviser on the FM Transactions will be despatched to Shareholders as soon as practicable.

Save and except for Unity, Filipe Lau and their respective Associates, there is no shareholder with a material interest in the FM Transactions and the Placing which is required to abstain from voting. Radford Developments Limited (see note 2 of the section headed "Shareholding Structure" above) does not have any material interest in the FM Transactions and the Placing

but has indicated to the Company that it is the intention of the trust which controls Radford Developments Limited that it will abstain from voting on the resolutions relating to the FM Transactions and the Placing proposed at the EGM on the grounds that it is sensitive business decision and will let minority shareholders to vote on this matter at the EGM.

RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange was suspended with effect from 10:14 a.m. on 4th January, 2005 pending the release of this announcement. Application has been made by the Company for the resumption of trading in the Shares on the Stock Exchange with effect from 9:30 a.m. on 13th January, 2005.

DEFINITIONS

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

“Alpha Aim”	Alpha Aim International Limited, a company incorporated in the British Virgin Islands on 18th November, 2004 and a wholly-owned subsidiary of the Company;
“Associates”	has the meaning ascribed thereto in the Listing Rules;
“Board”	the Board of directors of the Company;
“Company”	China United International Holdings Limited, a company incorporated in Hong Kong the shares of which are listed on the Stock Exchange;
“Connected Person(s)”	has the meaning ascribed thereto in the Listing Rules;
“Conversion Price”	the initial conversion price of the New Convertible Notes of HK\$0.25 per Share (subject to adjustment as provided in the terms and conditions of the New Convertible Notes);
“Conversion Shares”	such number of new Shares to be issued upon the exercise of the conversion rights attaching to the New Convertible Notes;
“Directors”	the directors of the Company;
“Disposal”	the disposal of 10 FM Shares by Alpha Aim to Filipe Lau on 11th January, 2005;
“EGM”	the extraordinary general meeting of the Company to be held to approve the Transactions;
“Existing Convertible Notes”	the convertible notes issued by the Company on 19th August, 2004 in the aggregate outstanding principal amount of HK\$53,000,000 to independent investors, the details of which are referred to in the Company’s announcement dated 11th June, 2004, 23rd July, 2004 and circular dated 2nd July, 2004;

“Existing Found Macau Loan”	an unsecured shareholders’ loan of HK\$50,000,000 which is interest free and repayable on demand after 8 years from the date of drawdown agreed to be made by Alpha Aim to Found Macau and which has been terminated by the Termination Deed;
“FM Business”	gambling entertainment and related businesses in Macau. For details, please refer to the section headed “Found Macau” in this announcement;
“FM Convertible Note”	the convertible note to be issued by the Company to Found Macau to satisfy in part its obligation to contribute to the New Found Macau Loan as described in the section headed “FM Convertible Note”;
“FM Group”	Found Macau and its subsidiaries;
“FM Investors”	new investors in Found Macau;
“FM Shares”	shares of a par value of US\$1.00 each in the capital of Found Macau;
“FM Transactions”	the New FM Acquisition, New Found Macau Loan, FM Convertible Note and New Shareholders Agreement;
“Found Macau”	Found Macau Investments International Limited, a company incorporated in the British Virgin Islands;
“Founders”	Lao Hin Chun, Filipe Lau and Lourenco Cheong;
“Group”	the Company and its subsidiaries;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Mr. Lao”	Mr. Lao Hin Chun, one of the Founders;
“Mr. Ong”	Mr. Ong Peter, an independent non-executive director of the Company;
“New Convertible Notes”	a series of non-interest bearing convertible redeemable notes in an aggregate principal amount of up to HK\$200 million due on the fifth anniversary from the date of issue;
“New FM Acquisition”	the proposed acquisition of 30 FM Shares by Alpha Aim;
“New Found Macau Loan”	a shareholders loan of HK\$150 million which is proposed to be made by Alpha Aim to Found Macau;

“New Shareholders Agreement”	the new shareholders agreement proposed to be entered into between Found Macau, the Founders and Alpha Aim in relation to the Found Macau;
“November Announcement”	the announcement by the Company dated 12th November, 2004;
“Placing”	the conditional placing of the New Convertible Notes pursuant to the Placing Agreement;
“Placing Agent”	Get Nice Investment Limited, a limited liability company incorporated in Hong Kong and a corporation deemed licensed under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
“Placing Agreement”	the conditional placing agreement between the Placing Agent and the Company dated 12th January, 2005 in relation to the Placing;
“Promissory Note”	the promissory note to be executed by Found Macau in favour of Alpha Aim to evidence the New Found Macau Loan;
“Shares”	shares of a par value of HK\$0.10 each in the Company;
“Shareholder(s)”	holder of (a) Share(s);
“Shareholders Agreement”	the shareholders agreement dated 9th December, 2004 entered into between Found Macau, Vision Gate, the Founders and Alpha Aim in relation to Found Macau which has been terminated by the Termination Deed;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Termination Deed”	the termination deed dated 11th January, 2005 in relation to the Shareholders Agreement and the Existing Found Macau Loan;
“Transactions”	the New FM Acquisition, the New Found Macau Loan, the New Shareholders Agreement, the Placing, the issue of the New Convertible Notes and the FM Convertible Note and the Conversion Shares upon exercise of the New Convertible Notes and the FM Convertible Note;
“Unity”	Unity Investments International Limited (Stock Code: 913) a company whose shares are listed on the Stock Exchange;

“Verbal Agreement” the Verbal Agreement dated 11th January, 2005 entered into between the Founders and Alpha Aim in relation to the New FM Acquisition, the New Found Macau Loan (including the FM Convertible Note) and the New Shareholders Agreement; and

“Vision Gate” Vision Gate Enterprises Limited, a company incorporated in the British Virgin Islands.

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 four independent non-executive directors, namely Mr. Lam Ping Cheung, Mr. Ong Peter, Mr. Miu Frank H and Mr. Nakajima Toshiharu.

By order of the board of directors of
China United International Holdings Limited
Chung Wilson
Managing Director

Hong Kong, 12th January, 2005