

**If you are in any doubt** about 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 with the enclosed form of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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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)**

## **BONUS ISSUE OF SHARES**

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An EGM will be held on Wednesday, 27th October 2004 at 9:00 a.m. at 30th Floor, China United Centre, 28 Marble Road, North Point, Hong Kong.

A notice convening the EGM is set out on page 8 to 9 of this circular. Whether or not Shareholders are able to attend the EGM, Shareholders are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the registered office of the Company at 32nd Floor, China United Centre, 28 Marble Road, North Point, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for holding the EGM. Completion and return of the form of proxy will not preclude Shareholders from attending and voting in person at the EGM should Shareholders so wish.

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## DEFINITIONS

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

“Board”	board of directors of the Company
“Bonus Issue”	the Bonus Issue of Shares
“Bonus Issue of Shares”	the conditional issue of Bonus Shares to Shareholders as described herein
“Bonus Shares”	new Shares to be issued under the Bonus Issue of Shares
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Company”	China United International Holdings Limited
“EGM”	an extraordinary general meeting of the Company to be held at 9:00 a.m. on Wednesday, 27th October 2004 at 30th Floor, China United Centre, 28 Marble Road, North Point, Hong Kong to approve matters related to the Bonus Issue
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Latest Practicable Date”	7th October 2004, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited
“Record Date”	Wednesday, 27th October 2004, being the date for determination of entitlements to the Bonus Issue
“Registrar”	the share registrar of the Company, Computershare Hong Kong Investor Services Limited, Shop 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Hong Kong
“Share(s)”	share(s) of HK\$0.10 each in the capital of the Company
“Shareholders”	holders of Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

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## EXPECTED TIMETABLE

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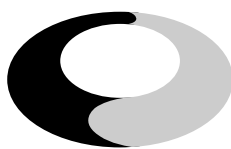
The expected timetable is set out below:

Last day of dealings in Shares cum-entitlements to the Bonus Shares .....	Tuesday, 19th October 2004
First day of dealings in Shares ex-entitlements to the Bonus Shares .....	Wednesday, 20th October 2004
Latest time for lodging transfers of Shares for entitlements to the Bonus Shares .....	Thursday, 21st October 2004
Closure of register of members of the Company .....	Monday, 25th October 2004 to Wednesday, 27th October 2004 (both dates inclusive)
Latest time for lodging proxy forms for EGM .....	9:00 a.m. on Monday, 25th October 2004
Record Date .....	Wednesday, 27th October 2004
EGM .....	9:00 a.m. on Wednesday, 27th October 2004
Despatch of the certificates for the Bonus Shares .....	Wednesday, 10th November 2004
Commencement of dealings in the Bonus Shares .....	9:30 a.m. on Friday, 12th November 2004

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## LETTER FROM THE BOARD

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

*(Incorporated in Hong Kong with limited liability)*

*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\*  
Mr. Miu Frank H\*

\* *independent non-executive director*

*Registered office and principal place  
of business:*

32nd Floor, China United Centre  
28 Marble Road  
North Point  
Hong Kong

11th October 2004

*To the Shareholders and, for the information only,  
holders of Warrants.*

Dear Sir/Madam,

### **BONUS ISSUE OF SHARES**

#### **INTRODUCTION**

It was announced by the Company on 17th September 2004 that the Board intended to put forward the Bonus Issue.

The purpose of this circular is to provide you with further details of the Bonus Issue and to give you notice of the EGM at which resolutions will be proposed to consider and if thought fit, approve, the Bonus Issue at EGM.

#### **BONUS ISSUE OF SHARES**

The Board proposes to make the Bonus Issue of Shares, on the basis of one new Bonus Share, credited as fully paid, for every ten existing Shares held by the Shareholders on the Record Date, subject to the conditions detailed below.

Based on the 1,140,335,913 Shares in issue as at the Latest Practicable Date and assuming no further Shares are issued or purchased from the date hereof until the Record Date, 114,033,591 Bonus Shares would be issued under the Bonus Issue of Shares and approximately HK\$11.4 million of the amount standing to the credit balance in the share premium account of the Company would be

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## LETTER FROM THE BOARD

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capitalized. There is sufficient amount in the share premium account for the purpose of the capitalization to effect the Bonus Issue of Shares. The Company still retains credit balance in the share premium account after the Bonus Issue of Shares.

As at the Latest Practicable Date, there are 16,847,797 warrants outstanding with exercise price of HK\$0.15 and expired on 11th May 2005 as well as 53 convertible notes that issued by the Company on 19th August 2004, outstanding in the amount of HK\$53 million with the coupon of 7.8% per annum, the conversion price of HK\$0.5 and matured on 19th August 2009. Reference are made to the announcement and circular of the Company dated 11th June 2004 and 2nd July 2004 respectively in relation to the issue of the convertible notes under specific mandate of the Company up to the amount of HK\$80 million pursuant to the placing agreement dated 11th June 2004 between Chung Nam Securities Limited as the placing agent and CU Corporate Finance Limited as the financial advisor and also reference to the announcement of the Company dated 23rd July 2004 regarding the completion of the placing of convertible notes in the amount of HK\$55 million. Both the exercise price and the conversion price of the warrants and the convertible notes may be adjusted for the Bonus Issue of Shares, for which the Company will make further announcement to inform the public as soon as practicable if any adjustment is required. However, if all the warrants and the convertible notes being exercised and converted on or before the Record Date, the Company will have 122,847,797 additional issued Shares. As a result, there are additional 12,284,779 Bonus Shares would be issued and approximately HK\$1.2 million of the amount standing to the credit balance in the share premium account of the Company would be capitalized. There is sufficient amount in the share premium account for the purpose of the capitalization to effect the Bonus Issue of Shares and taken into account the exercise of all outstanding warrants and full conversion of all outstanding convertible notes. The Company will still retain credit balance in the share premium account after such additional Bonus Issue of Shares.

The Bonus Shares will rank *pari passu* in all respects with the existing Shares.

### FRACTIONAL ENTITLEMENTS

Fractional entitlements to the Bonus Issue will not be granted but will be aggregated and sold for the benefit of the Company.

### CONDITIONS OF THE BONUS ISSUE

The Bonus Issue is conditional upon:

- (i) approval of Shareholders at the EGM; and
- (ii) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in the Bonus Shares to be issued pursuant to the Bonus Issue.

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## LETTER FROM THE BOARD

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### CERTIFICATES FOR BONUS SHARES

It is expected that certificates for the Bonus Shares will be posted on or around Wednesday, 10th November 2004 at the risk of the Shareholders entitled thereto to their respective addresses shown on the register of members of the Company.

### REASONS FOR THE BONUS ISSUE

The Board considers that the Bonus Issue will provide the Shareholders with the opportunity to participate in the growth of the Company by way of capitalization of a portion of the share premium account of the Company.

### CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be enclosed from Monday, 25th October 2004 to Wednesday, 27th October 2004 (both dates inclusive) in order to determine entitlements to the Bonus Issue. **To qualify for the Bonus Issue, investors must ensure that all forms of transfer of Shares accompanied by the relevant Share certificates are lodged with the Registrar not later than 4:00 p.m. on Thursday, 21st October 2004.**

### LISTING AND DEALINGS

Application will be made to the Listing Committee of the Stock Exchange for the granting of listing of, and permission to deal in, the Bonus Shares. Dealings in the Bonus Shares on the Stock Exchange are expected to commence on Friday, 12th November 2004.

Subject to the granting of the listing of and permission to deal in the Bonus Shares on the Stock Exchange as well as compliance with the stock admission requirements of HKSCC, the Bonus Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Bonus Shares on the Stock Exchange or such other date as may be determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

No part of the share capital of the Company is listed or dealt in on any other stock exchange and no such listing or permission to deal is being or proposed to be sought. The Bonus Shares will not be listed or traded on any other stock exchange other than the Stock Exchange and no such listing or permission to deal is being or proposed to be sought. Dealings in the Bonus Shares will be subject to the payment of stamp duty in Hong Kong.

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## LETTER FROM THE BOARD

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In order to alleviate the difficulties arising from the existence of odd lots of the Bonus Shares, the Company has procured an agent to arrange to match the sale and purchase of odd lots of the Bonus Shares. Holders of odd lots of the Bonus Shares who wish to take advantage of this facility should contact Mr. Chan Kwok On of Chung Nam Securities Limited at 31st Floor, China United Centre, 28 Marble Road, North Point, Hong Kong (telephone no. 3198 0888) during trading hours from 9:30 a.m. to 4:00 p.m. from Friday, 12th November 2004 to Monday, 13th December 2004.

### **GENERAL**

The notice of the EGM is set out on page 8 to page 9 of this circular. A form of proxy for use at the EGM is enclosed. Whether or not Shareholders are able to attend the EGM, Shareholders are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the registered office of the Company at 32nd Floor, China United Centre, 28 Marble Road, North Point, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for holding the EGM. Completion and return of the form of proxy will not preclude Shareholders from attending and voting in person at the EGM should Shareholders so wish.

### **RECOMMENDATION**

The Board is of the opinion that the proposed Bonus Issue is in the best interests of the Company and the Shareholders as a whole, and so recommends Shareholders to vote in favour of the resolution to be proposed at the EGM.

Your attention is also drawn to the additional information in relation to the procedure for the Shareholders to demand poll as set out in the appendix to this circular.

By order of the Board  
**Chung Wilson**  
*Managing Director*



**RIGHT TO DEMAND ON POLL**

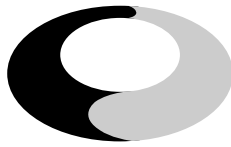
Article 81 of the Company's Articles of Association sets out the procedure by which Shareholders may demand a poll:

At any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless a poll is (before or on the declaration of the result of the show of hands) demanded: (i) by the chairman of such meeting; (ii) by at least three members present in person or by proxy and entitled to vote at the meeting; (iii) by any member or members present in person or by proxy and representing not less than one tenth of the total voting rights of all the members having the right to vote at the meeting; (iv) by a member or members present in person or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one tenth of the total sum paid up on all the shares conferring that right.

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# NOTICE OF THE EXTRAORDINARY GENERAL MEETING

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**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 an extraordinary general meeting of China United International Holdings Limited (the “Company”) will be held at 30th Floor, China United Centre, 28 Marble Road, North Point, Hong Kong at 9:00 a.m. on Wednesday, 27th October 2004 for the purpose of considering and, if thought fit, passing the following resolution which will be proposed as Ordinary Resolution:

## ORDINARY RESOLUTION

“**THAT** subject to and conditional upon the Listing Committee of the Stock Exchange of Hong Kong Limited granting listing of and permission to deal in the Bonus Shares (as defined below),:

- (A) (i) a sum of approximately HK\$11,403,359, being part of the amount standing to the credit balance of the share premium account of the Company, or such larger sum as may be necessary to give effect to the bonus issue of Shares pursuant to this resolution, be capitalised for distribution amongst shareholders of the Company (“Shareholders”) on the condition that such sums shall not be paid in cash but be applied in paying up in full at par not less than 114,033,591 Shares (“Bonus Shares”), and that such Bonus Shares be issued and allotted credited as fully paid and distributed by way of bonus to Shareholders whose names appear on the register of members of the Company at 5:00 p.m. on Wednesday, 27th October 2004 (the “Record Date”) in the proportion of one Bonus Share for every ten Shares held on the Record Date (the “Bonus Issue”) and otherwise on the basis set out in the circular to shareholders of the Company dated 11th October, 2004 (“Circular”), a copy of which has been tabled to this meeting marked “A” and initialled by the Chairman of the meeting for identification purpose and the directors of the Company (“Directors”) be and they are hereby authorised to give effect to such capitalisation and distribution;
- (ii) no fractional Bonus Shares shall be allotted to Shareholders but the fractional entitlements shall be aggregated and sold in the market for the benefit of the Company;
- (iii) the new Bonus Shares to be issued pursuant to paragraphs (i) and (ii) above shall rank in all respect pari passu with the existing issued Shares as at the date of issuing such Bonus Shares; and

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## NOTICE OF THE EXTRAORDINARY GENERAL MEETING

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(B) the Directors be and are hereby authorised to (i) issue and allot the Bonus Shares; and (ii) to do all such acts and things as they may, in their absolute discretion, consider necessary, desirable or expedient to effect, implement and complete any or all other transactions contemplated in this resolution.”

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

Dated 11th October 2004

*Registered Office:*  
32nd Floor, China United Centre  
No. 28 Marble Road  
North Point  
Hong Kong

**Notes:**

1. A form of proxy to be used for the meeting is enclosed.
2. Any member of the Company entitled to attend and vote at the meeting is entitled to appoint another person as his proxy to attend and vote instead of him. On a poll votes may be given either personally or by proxy. 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.
4. The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed, or a notorially certified copy of that power or authority must be deposited at the registered office of the Company at 32nd Floor, China United Centre, 28 Marble Road, North Point, Hong Kong not less than 48 hours before the time for holding the meeting, and in default the instrument of proxy shall not be treated as valid.
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 share as if he were solely entitled thereto but if more than one of such joint holders be present at any meeting personally or by proxy, that one of the said persons so present whose name stands first on the register in respect of such share shall alone be entitled to vote in respect thereof.