
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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)

PLACING OF CONVERTIBLE NOTES CONNECTED TRANSACTION

A notice convening the EGM to be held on Monday, 19th July 2004 at Function Room III, Ground Floor, City Garden Hotel, 9 City Garden Road, North Point, Hong Kong at 9:00 a.m. is set out on pages 10 to 11 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 or any adjournment thereof. Completion and return of the form of proxy will not preclude Shareholders from attending and voting in person at the EGM or any adjourned meeting should Shareholders so wish.

2nd July 2004

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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
“CN”	the 7.8% convertible redeemable notes of an aggregate principal amount of up to HK\$80 million due on the fifth anniversary from the date of issue
“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
“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 Future Ordinance (Chapter 571 of the Laws of Hong Kong)
“Group”	the Company and its subsidiaries and associated companies
“HK\$”	Hong Kong dollars
“Latest Practicable Date”	29th June 2004 being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“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)

DEFINITIONS

“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

LETTER FROM THE BOARD



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*

*Registered office and Principal place
of business:*

32nd Floor, China United Centre

28 Marble Road

North Point

Hong Kong

* *independent non-executive director*

2nd July 2004

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

Dear Sir or Madam,

PLACING OF CN CONNECTED TRANSACTION

INTRODUCTION

On 11th June 2004, the Company entered into the Placing Agreement with the Placing Agent and the Financial Adviser in relation to the Placing. The purpose of this circular is to provide you with information regarding the Placing and to give notice to the Shareholders of the EGM at which a resolution will be proposed to approve the Placing Agreement and the issue of CN and the Conversion Shares.

The Board considers that to the best of their knowledge, there are no Shareholders including their connected persons and associates as defined under the Listing Rules have any material interest in relation to the Placing and the issue of CN and Conversion Shares. As a result, no Shareholders are required to abstain from voting at the EGM.

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.

LETTER FROM THE BOARD

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 the announcement and this 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 proceed of the Placing is 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 the 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 12 months.

LETTER FROM THE BOARD

Redemption Date

The Company may redeem the CN at 100% of the outstanding principal amount of the CN at any time 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 date of issue up to 7 days before (and excluding) the maturity date of the CN.

Conversion Price

The Conversion Price of HK\$0.5 per Share (subject to adjustment as provided in the terms and conditions of the CN) represented (i) a discount of approximately 7.41% to the closing price of HK\$0.54 per Share as quoted on the Stock Exchange on 11th June 2004; and (ii) a discount of approximately 12.89% to the average closing price of HK\$0.574 per Share as quoted on 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 11th June 2004.

The Conversion Price of HK\$0.5 per Share (subject to adjustment as provided in the terms and conditions of the CN) represented (i) a premium of approximately 23.46% to the closing price of HK\$0.405 per Share as quoted on the Stock Exchange as at the Latest Practicable Date; and (ii) a premium of approximately 17.1% to the average closing price of HK\$0.427 per Share as quoted on the Stock Exchange from 23rd June 2004 up to the Latest Practicable Date, both dates inclusive, being the last five full trading days immediately before and up to the Latest Practicable Date.

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 subject to be approved and be granted to the directors of the Company by the Shareholders at the forthcoming EGM 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

LETTER FROM THE BOARD

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 14.08% of the existing issued share capital of the Company, and approximately 12.34% 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 9:30 a.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 regulation 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

LETTER FROM THE BOARD

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 Latest Practicable Date.

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	25.27%	287,147,175	22.15%
Golden Resources Development International Limited	100,000,000	8.8%	100,000,000	7.72%
Radford Capital Investment Limited	86,348,512	7.6%	86,348,512	6.66%
Public	662,840,221	58.33%	662,840,221	51.13%
Conversion of CN	—	—	160,000,000	12.34%
Total	<u>1,136,335,908</u>	<u>100.00%</u>	<u>1,296,335,908</u>	<u>100.00%</u>

LETTER FROM THE BOARD

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-exclusive 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

If the CN are fully placed, 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. Neither the percentage of interest in the joint venture nor any verbal or written agreements have been concluded yet as at the Latest Practicable Date. The Company does not have any existing business in Macau as at the Latest Practicable Date.

EXISTING CONVERTIBLE NOTES

As at the Latest Practicable Date, 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 which will be expired on 4th July 2004. Save as aforesaid, there are no other convertible notes of the Company.

PRINCIPAL BUSINESS OF THE GROUP

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.

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

There has been no equity fund raised by the Company 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 payable to the Placing Agent and the Financial Adviser will not be more than approximately HK\$1.6 million assuming that all CN are fully placed. Such connected transaction is on normal commercial terms and

LETTER FROM THE BOARD

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 payable to the Placing Agent and the Financial Adviser respectively in relation to the Placing was entered into 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

The notice of the EGM is set on pages 10 to 11 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 an event not less than 48 hours before the time appointed for holding the EGM (or any adjournment thereof). Completion and return of the form of proxy will not preclude Shareholders from attending and voting in person at the EGM (or any adjourned meeting) should Shareholders so wish.

RIGHT TO DEMAND ON POLL

Article 81 of the Company's Article 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.

RECOMMENDATION

The Board is of the opinion that the proposed resolution as aforesaid 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.

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

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 an extraordinary general meeting of China United International Holdings Limited (the “Company”) will be held on Monday, 19th July 2004 at Function Room III, Ground Floor, City Garden Hotel, 9 City Garden Road, North Point, Hong Kong at 9:00 a.m. for the purpose of considering and, if thought fit, pass the following 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 shares of HK\$0.10 each in the Company (“Shares”) to be issued upon the exercise of the conversion rights attaching to the Convertible Notes (defined below):

- A) the entering into of a placing agreement (“Placing Agreement”) dated 11th June 2004 between the Company, Chung Nam Securities Limited (“Chung Nam”) and CU Corporate Finance Limited to which Chung Nam acting as placing agent agrees to procure places, on a best effort basis, for 7.8% convertible redeemable notes at an aggregate principal amount of up to HK\$80,000,000 (“Convertible Notes”) (a copy of which has been produced to this meeting marked “A” and initialed by the chairman of the meeting for identification purpose) be and is hereby approved, ratified and confirmed;
- B) the terms and conditions of the Convertible Notes (a copy of which has been produced to this meeting marked “B” and initialed by the chairman of the meeting for identification purpose) be and are hereby approved;
- C) the directors of the Company be and are hereby authorized to (i) issue and allot the Convertible Notes; (ii) issue and allot to the holders of the Convertible Notes upon the due exercise of the conversion rights attaching to the Convertible Notes the appropriate number of new Shares and (iii) do all such acts and things as they consider necessary, desirable or expedient to give effect to any or all other transactions contemplated in this resolution”.

By order of the Board

China United International Holdings Limited

Chung Wilson

Managing Director

Dated 2nd July 2004

NOTICE OF THE EXTRAORDINARY GENERAL MEETING

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 appointer or of his attorney duly authorized in writing, or if the appointor is a corporation, either under seal or under the hand of an officer or attorney duly authorized.
- (4) The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of that power or authority must be deposited at the registered office of the Company at 32nd Floor, China United Centre, No. 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.



China United
International Holdings Limited

互聯控股有限公司

(incorporated in Hong Kong with limited liability)

Form of proxy for use at the extraordinary general meeting

I/We¹ _____

of _____

being the registered holder(s) of² _____

shares of HK\$0.10 each in the capital of China United International Holdings Limited (the "Company"),

HEREBY APPOINT³ the chairman of the extraordinary general meeting, or _____

of _____

as my/our proxy to attend for me/us at the extraordinary general meeting (and at any adjournment thereof) to be held at Function Room III, Ground Floor, City Garden Hotel, 9 City Garden Road, North Point, Hong Kong at 9:00 a.m. on Monday, 19th July 2004 for the purpose of considering and, if thought fit, passing the ordinary resolution as set out in the notice convening the said meeting and at such meeting (or at any adjournment thereof) to vote for me/us and in my/our name(s) in respect of the said resolution as hereunder indicated.

	FOR ⁴	AGAINST ⁴
ORDINARY RESOLUTION		

Signature(s)⁶ _____

Date _____

NOTES:

1. Full name(s) and address(es) must be inserted in BLOCK CAPITALS.
2. Please insert the number of shares registered in your name(s) to which the proxy relates. If no number is inserted, this form of proxy will be deemed to relate to all the shares of the Company registered in your name(s).
3. If any proxy other than the chairman is preferred, please strike out "the chairman of the extraordinary general meeting, or" and insert the name and address of the proxy desired in the space provided. A member may appoint one or more proxies to attend and vote in his stead. ANY ALTERATION MADE TO THIS FORM OF PROXY MUST BE INITIALED BY THE PERSON(S) WHO SIGN(S) IT.
4. IMPORTANT: IF YOU WISH TO VOTE FOR THE RESOLUTION, TICK THE BOX MARKED "FOR". IF YOU WISH TO VOTE AGAINST THE RESOLUTION, TICK THE BOX MARKED "AGAINST". Failure to tick a box will entitle your proxy to cast your vote or abstain at his discretion. Your proxy will also be entitled to vote at his discretion on any resolution properly put to the said meeting other than that referred to in the notice convening the meeting.
5. 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.
6. 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.
7. The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed, or a notarially 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.
8. Where there are joint registered holders of any share, any one of such persons may vote at any 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.