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ZHONG HUA INTERNATIONAL HOLDINGS LIMITED

中華國際控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 1064)

PLACING OF NEW SHARES UNDER GENERAL MANDATE

Financial Adviser



GET NICE CAPITAL LIMITED

Placing Agent



GET NICE INVESTMENT LIMITED

The Company has on 17 May 2005 entered into the Placing Agreement with the Placing Agent to procure subscribers, on a fully underwritten basis, to subscribe for 783,000,000 new Shares at a price of HK\$0.020 per Share. The Placing Shares represent approximately 19.98% of the Company's existing issued share capital and approximately 16.65% of its issued share capital as enlarged by the Placing.

The Placing Price represents (i) at par to the closing price of the Shares of HK\$0.020 quoted on the Stock Exchange on 13 May 2005, being the last trading day prior to the suspension of trading of the Shares and the date of the Placing Agreement; (ii) a discount of approximately 15.97 % to the average closing price of the Shares of HK\$0.0238 quoted on the Stock Exchange for the five consecutive trading days up to and including 13 May 2005; and (iii) a discount of approximately 19.35% to the average closing price of the Shares of HK\$0.0248 quoted on the Stock Exchange for the ten consecutive trading days up to and including 13 May 2005.

The gross proceeds from the Placing will be HK\$15.66 million and the net proceeds from the Placing of approximately HK\$15.21 million will be used as general working capital of the Group.

The Placing is conditional upon the Stock Exchange granting listing of and permission to deal in the Placing Shares. **Shareholders and potential investors are advised to exercise caution when dealing in the Shares as the Placing may or may not proceed.**

At the request of the Company, dealings in the Shares on the Stock Exchange were suspended with effect from 9:30 a.m. on 17 May 2005 pending for the release of this announcement. Application has been made for the resumption of trading on the Stock Exchange with effect from 9:30 a.m. on 19 May 2005.

PLACING AGREEMENT DATED 17 MAY 2005

The Placing

Issuer:

Zhong Hua International Holdings Limited, a company incorporated in Bermuda whose Shares are listed on the Stock Exchange.

Placing Agent and Placees:

Get Nice Investment Limited is the Placing Agent, who and whose ultimate beneficial owners are not connected persons of the Company and are independent third parties not connected with the directors, chief executive or substantial shareholder of the Company or any of its subsidiaries or associates of any of them.

The Placing Shares will be placed to not less than six Placees, being individuals, institutional or other professional investors, and who and whose ultimate beneficial owners will not be connected persons of the Company and will be independent third parties not connected with the directors, chief executive or substantial shareholder of the Company or any of its subsidiaries or associates of any of them. It is expected that none of the Placees will become substantial shareholder of the Company immediately after the Placing.

Number of Placing Shares:

783,000,000 new Shares representing approximately 19.98% of the Company's existing issued share capital and approximately 16.65% of its issued share capital as enlarged by the Placing.

Placing Price:

The Placing Price of HK\$0.020 per Share (the net placing price of the Placing of approximately HK\$0.019 per Share) was agreed after arm's length negotiations between the Company and the Placing Agent. Such price represents (i) at par to the closing price of the Shares of HK\$0.020 quoted on the Stock Exchange on 13 May 2005, being the last trading day prior to the suspension of trading of the Shares and the date of the Placing Agreement; (ii) a discount of approximately 15.97% to the average closing price of the Shares of HK\$0.0238 quoted on the Stock Exchange for the five consecutive trading days up to and including 13 May 2005; and (iii) a discount of approximately 19.35% to the average closing price of the Shares of HK\$0.0248 quoted on the Stock Exchange for the ten consecutive trading days up to and including 13 May 2005.

The Directors consider that the Placing Price is fair and reasonable and in the interest of the Company and its shareholders as a whole.

Underwriting commission payable to the Placing Agent:

The Placing is fully underwritten by the Placing Agent with underwriting commission calculated as 1.75% of the amount equal to the Placing Price multiplied by the number of the Placing Shares, i.e. approximately HK\$0.27 million. The net proceeds of the Placing, after deducting the underwriting commission and other expenses, will be approximately HK\$15.21 million.

General Mandate:

The Placing Shares will be allotted and issued pursuant to the general mandate granted to the Directors at the Company's special general meeting held on 7 February 2005. As at the date of this announcement, no Shares have been issued and allotted pursuant to such general mandate. The Placing will utilize approximately 99.89% of the Shares to be issued and allotted pursuant to this general mandate.

Ranking of Placing Shares:

The Placing Shares will rank pari passu in all respects among themselves and with the existing issued Shares.

Condition of the Placing:

The Placing is conditional upon the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, all of the Placing Shares.

The condition must be fulfilled on or before 16 June 2005 (or such other date as agreed by the parties to the Placing Agreement), failing which the Placing shall cease and terminate. Application will be made by the Company to the Stock Exchange for the listing of and permission to deal in the Placing Shares.

Completion Date:

The Placing shall complete at the third Business Day after the fulfillment of the condition of the Placing (or such later date as may be agreed between the parties to the Placing Agreement in writing).

Shareholders and potential investors are advised to exercise caution when dealing in the Shares as the Placing may or may not proceed.

PURPOSES OF PLACING AND USE OF PROCEEDS

The Company's principal activities are engaged in property investment, leasing of point-of sale equipment and the provision of telecommunication and other related services in the PRC.

The gross proceeds from the Placing will be HK\$15.66 million and the net proceeds from the Placing of approximately HK\$15.21 million will be used as general working capital of the Group.

The Directors expect that the Placing will enhance the capital base of the Company, thereby broadening the Company's shareholders base.

FUND RAISING DURING THE PAST 12 MONTHS

The Company had conducted the following fund raising exercises during the past 12 months:

Description	Announcement date	Net Amount raised	Date of mandates granted	Intended use of proceeds as announced	Actual use of proceeds
Issuing of convertible bond of HK\$30 million	19 July 2004	HK\$30 million	16 June 2004	General working capital will be used to finance the Company's online games business (including but not limiting to the provisions of online games infrastructure platform and distribution channels) operating in the PRC	Fully utilized as intended
Placing of 475,000,000 Shares	2 November 2004	HK\$42.5 million	16 June 2004	HK\$37.5 million will be used to further develop the Company's online games business (including the provision of online games infrastructure platform) operating in the PRC and the remaining balance of HK\$5 million will be used as the Group's general working capital	Fully utilized as intended

SHAREHOLDING STRUCTURE

	As at the date of this announcement		Immediately after completion of the Placing	
	Shares	%	Shares	%
High Rank Enterprises Limited (Note 1)	883,000,000	22.53	883,000,000	18.78
Morgan Estate Assets Limited (Note 2)	270,000,000	6.89	270,000,000	5.74
On Tai Profits Limited (Note 3)	270,000,000	6.89	270,000,000	5.74
Morcambe Corporation (Note 4)	270,000,000	6.89	270,000,000	5.74
Successful Future Services Limited (Note 5)	10,000,000	0.25	10,000,000	0.21
The Places	–	–	783,000,000	16.65
Other public Shareholders	<u>2,216,413,009</u>	<u>56.55</u>	<u>2,216,413,009</u>	<u>47.14</u>
Total	<u>3,919,413,009</u>	<u>100.00</u>	<u>4,702,413,009</u>	<u>100.00</u>

Notes:

1. Each of Mr. Ho Tsam Hung (an executive Director), Mr. Ho Pak Hung (a former executive Director) and Mr. Ho Kam Hung (an executive Director) is interested in approximately 31.58% of the issued share capital of High Rank Enterprises Limited. Mr. Ho Tsam Hung, Mr. Ho Pak Hung and Mr. Ho Kam Hung are brotherhood.
2. Morgan Estate Assets Limited is wholly owned by Mr. Ho Tsam Hung.
3. On Tai Profits Limited is wholly owned by Mr. Ho Pak Hung.
4. Morcambe Corporation is wholly owned by Mr. Ho Kam Hung.
5. Each of Mr. Ho Tsam Hung, Mr. Ho Pak Hung and Mr. Ho Kam Hung is interested in 25% of the issued share capital of Successful Future Services Limited.

SHARE CONSOLIDATION

As the market price of Shares approaches the extremities of HK\$0.01, at the request of the Stock Exchange and pursuant to Rule 13.64 of the Listing Rules, the Company will convene a special general meeting of Shareholders within 3 months from the date of this announcement for the purpose of considering and approving a consolidation of the Shares. Further details of the consolidation of the Shares will be announced by the Company at the appropriate time.

SUSPENSION AND RESUMPTION OF TRADING

At the request of the Company, dealings in the Shares on the Stock Exchange were suspended with effect from 9:30 a.m. on 17 May 2005 pending for the release of this announcement. Application has been made for the resumption of trading on the Stock Exchange with effect from 9:30 a.m. on 19 May 2005.

DEFINITIONS

In the announcement, the following expressions have the meanings set out below unless the context otherwise requires.

“associate(s)”	has the meaning ascribed in the Listing Rules
“Board”	the board of Directors
“Business Day”	any day (excluding a Saturday) on which banks generally open for business in Hong Kong
“Company”	Zhong Hua International Holdings Limited (中華國際控股有限公司), a company incorporated in the Bermuda with limited liability and the Shares of which are listed on the main board of the Stock Exchange
“Completion Date”	the third Business Day after the fulfillment of the condition of the Placing or such other date as may be agreed between the parties to the Placing Agreement
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Placees”	any individual(s), institutional or other professional investor(s) or any of their respective subsidiaries or associates procured by the Placing Agent to subscribe for any of the Placing Shares pursuant to the Placing Agreement
“Placing”	placing of the Placing Shares at the Placing Price pursuant to the Placing Agreement
“Placing Agent”	Get Nice Investment Limited, a deemed licensed corporation within the meaning of the SFO
“Placing Agreement”	a conditional placing agreement entered into between the Company and the Placing Agent dated 17 May 2005
“Placing Price”	HK\$0.020 per Placing Share
“Placing Shares”	783,000,000 new Shares to be placed under the Placing
“PRC”	the People’s Republic of China
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	the ordinary share(s) of HK\$0.02 each in the capital of the Company
“Shareholder(s)”	holder(s) of the Shares

“Stock Exchange” The Stock Exchange of Hong Kong Limited

“HK\$” Hong Kong dollars

“%” per cent.

By order of the Board
Zhong Hua International Holdings Limited
Ho Tsam Hung
Chairman

Hong Kong, 18 May 2005

As at the date of this announcement, the Board comprises (i) Mr. Ho Tsam Hung, Mr. Yang Jia Jian and Mr. Ho Kam Hung as executive Directors; (ii) Ms. Yeung Mo Sheung, Ann as non-executive Director; and (iii) Mr. Ng Kin Sun, Mr. Young Kwok Sui and Mr. Wong Ting Kon as independent non-executive Directors.

* *For identification purpose only*

*Please also refer to the published version of this announcement in
Hong Kong Economic Times and China Daily.*