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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)

ANNOUNCEMENT

This announcement is made pursuant to Rule 13.09 of the Listing Rules.

The Directors wish to announce that the Company is in the course of negotiating with an independent third party for the possible acquisition of a cruise liner (with casino and other facilities) and exclusive operating rights of shipping lanes.

However, certain terms of the Proposed Acquisition have yet to be reached up to the date of this announcement. At present, negotiation in relation to the Proposed Acquisition is still undergoing on amicable terms and it is expected that the memorandum of understanding can be signed within a short period of time. Since the exact timing for signing the memorandum of understanding could not be ascertained as at the date of this announcement and in order to avoid a prolonged suspension, the Directors have requested to resume the trading of the shares of the Company.

Shareholders should note that the Proposed Acquisition may or may not proceed. In the event that the Proposed Acquisition proceeds, it may constitute a notifiable transaction for the Company under the Listing Rules. Further announcement(s) will be made to inform the Shareholders on the progress of the Proposed Acquisition as and when appropriate. Shareholders and public investors are advised to exercise caution when dealing in the shares of the Company.

At the request of the Company, trading in its shares was suspended with effect from 9:30 am, 23 May 2005, pending the release of an announcement in relation to price sensitive information of the Company. Application has been made to the Stock Exchange for the resumption of trading in the shares of the Company with effect from 9:30 am, 30 May 2005.

Reference is made to the announcement of Zhong Hua International Holdings Limited (the “Company”) dated 20 May 2005 regarding the possible acquisition of a cruise liner. This announcement is made pursuant to Rule 13.09 of the Listing Rules.

INFORMATION ON THE PROPOSED ACQUISITION

The board of directors (the “Directors”) of the Company wish to announce that the Company is in course of negotiating with a third party independent of the Company and its connected persons (as defined in the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) for possible acquisition of a controlling stake (the “Proposed Acquisition”) of a cruise liner (with casino and other facilities) and exclusive operating rights of shipping lanes (the “Assets”).

Set out below are the actions that have been taken by the Company prior to the date of this announcement:

- 11 May 2005 The Company commenced negotiation with Get Nice Investment Limited on the terms of placing of 783,000,000 new shares of the Company (the “Placing”).
- 17 May 2005 The Company requested for suspension of trading in shares of the Company pending the release of an announcement in relation to the Placing.
- The Company entered into a placing agreement in respect of the Placing with Get Nice Investment Limited.
- 19 May 2005 The trading in shares of the Company was resumed and an announcement in relation to the Placing was published in newspaper.
- The Company made an announcement pursuant to Rule 13.10 of the Listing Rules.
- 20 May 2005 The Company started the preliminary discussion with an independent third party to ascertain if any suitable opportunities exist for any possible acquisition of a cruise liner.
- The Company made an announcement pursuant to Rule 13.10 of the Listing Rules.
- 23 May 2005 The Company requested for suspension of trading in shares of the Company pending the release of an announcement in relation to price sensitive information.

The Company expected that the negotiation of the acquisition of the cruise liner was to be concluded and a memorandum of understanding would be signed on 23 May 2005 and therefore, the Company requested for a suspension of the trading of its shares on the same day pending the release of an announcement in relation to the Proposed Acquisition. However, certain terms of the Proposed Acquisition have yet to be reached up to the date of this announcement. At present, negotiation in relation to the Proposed Acquisition is still undergoing on amicable terms and it is expected that the memorandum of understanding can be signed within a short period of time. Since the exact timing for signing the memorandum of understanding could not be ascertained as at the date of this announcement and in order to avoid a prolonged suspension, the Directors have requested to resume the trading of the shares of the Company. The Company will continue the negotiation of the Proposed Acquisition with the vendor so as to reach more favourable terms and will use its best endeavor to explore different feasible plans for the Proposed Acquisition.

IMPLICATION OF THE LAWS OF HONG KONG AND THE LISTING RULES IN RESPECT OF THE CASINO ACTIVITIES

The Company will use its best endeavor to ensure that, in the event that the Proposed Acquisition materializes, the casino activities carried out in the cruise liner will comply with (i) the applicable laws in the areas where such activities operate; and/or (ii) not contravene the Gambling Ordinance (Chapter 148 of the Laws 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 11 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 of Hong Kong such that the Company or its business may be considered unsuitable for listing under Rule 8.04 of the Listing Rules. Depending on the circumstances of the case, 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 on the Stock Exchange pursuant to Rule 6.01 of the Listing Rules.

REASONS FOR THE PROPOSED ACQUISITION

The Company and its subsidiaries (the “Group”) are principally engaged in property investment, the leasing of point-of-sale equipment and provision of telecommunication and other related services in the People’s Republic of China. As set out in the annual report of the Company for the year ended 31 December 2004, the business of property investment contributed audited turnover of approximately HK\$5.8 million and audited operating profit before interest income of approximately HK\$4.9 million; the business of leasing of point-of-sale equipment contributed audited turnover of approximately HK\$3.6 million and audited operating loss before interest income of approximately HK\$13.0 million; the business of provision of telecommunication and other related services contributed audited turnover of approximately HK\$15.4 million and audited operating loss before interest income of HK\$12.8 million. The Directors consider that the Proposed Acquisition, if materializes, will represent a good opportunity for the Group to diversify into the cruise liner business. The Directors believe that the Proposed Acquisition will be in the interests of the shareholders of the Company (the “Shareholders”) and the Company as a whole.

Shareholders should note that the Proposed Acquisition may or may not proceed. In the event that the Proposed Acquisition proceeds, it may constitute a notifiable transaction for the Company under the Listing Rules. Further announcement(s) will be made to inform the Shareholders on the progress of the Proposed Acquisition as and when appropriate. Shareholders and public investors are advised to exercise caution when dealing in the shares of the Company.

SUSPENSION AND RESUMPTION OF TRADING

At the request of the Company, trading in its shares was suspended with effect from 9:30 am, 23 May 2005, pending the release of an announcement in relation to price sensitive information of the Company. Application has been made to the Stock Exchange for the resumption of trading in the shares of the Company with effect from 9:30am, 30 May 2005.

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

Hong Kong, 27 May 2005

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

* *For identification purpose only*

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