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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)**

### **ISSUE OF NEW SHARES PURSUANT TO GENERAL MANDATE AND REVISED EXPECTED TIMETABLE FOR CAPITAL REORGANISATION**

On 28 March 2006, the Company entered into the Subscription Agreement with the Subscriber in relation to the Subscription by the Subscriber at a price of HK\$0.03 per Subscription Share of an aggregate of 170,000,000 new Existing Shares.

The Subscription Shares represent approximately 3.33% of the existing issued share capital of the Company and approximately 3.22% of the share capital as enlarged by the issue of the Subscription Shares.

The Subscription Price was determined after arm's length negotiations between the Company and the Subscriber and with reference to the prevailing market prices of the Existing Shares. The Subscription Price represents (i) a discount of approximately 11.76% to the closing price of HK\$0.034 per Existing Share as quoted on the Stock Exchange on 28 March 2006, being the last trading day immediately before trading in the Existing Shares was suspended pending the release of this announcement; (ii) a discount of approximately 1.96% to the average closing price of approximately HK\$0.0306 per Existing Share for the last 5 trading days ended 28 March 2006; and (iii) a premium of approximately 3.81% over the average closing price of approximately HK\$0.0289 per Existing Share for the last 10 trading days ended 28 March 2006.

The net proceeds from the Subscription of approximately HK\$4.8 million will be utilised for general working capital of the Group.

The revised expected timetable in relation to the Capital Reorganisation and the associated trading arrangements is set out below.

Trading in the Existing Shares on the Stock Exchange was suspended at the request of the Company with effect from 9:30 a.m. on 29 March 2006 pending the release of this announcement. Application has been made to the Stock Exchange for the resumption of trading in the Existing Shares with effect from 9:30 a.m. on 30 March 2006.

On 28 March 2006, the Company entered into the Subscription Agreement with the Subscriber in respect of the Subscription Shares.

## **THE SUBSCRIPTION AGREEMENT DATED 28 MARCH 2006**

### **Parties**

- (i) the Company as the issuer of the Subscription Shares; and
- (ii) Trendy Way Investments Limited as the Subscriber.

The Subscriber is an investment holding company and the ultimate beneficial owner of which is Mr. Lee Kwok Leung, Raymond. The Company confirms that, to the best of the Directors' knowledge, information and belief and having made all reasonable enquiry, the Subscriber and Mr. Lee are third parties independent of the Company and its connected persons (as defined in the Listing Rules). Based on the Directors' knowledge, Mr. Lee has more than 20 years' experience in IT and telecommunication businesses and investments.

### **The Subscription Shares**

Pursuant to the Subscription Agreement, the Subscriber agreed to subscribe for an aggregate of 170,000,000 new Existing Shares, which represents:

- approximately 3.33% of the existing issued share capital of the Company;
- approximately 3.22% of the issued share capital of the Company as enlarged by the issue of the Subscription Shares.

The Subscription Shares, when fully paid, will rank *pari passu* in all respects with all the Existing Shares in issue on the date of Completion.

### **General Mandate**

The Subscription Shares will be issued pursuant to the General Mandate. Reference is made to the announcement of the Company dated 12 September 2005 and 6 October 2005. Pursuant to the subscription agreement dated 31 August 2005 (as supplemented on 23 September 2005), the Company (i) has issued 200,000,000 new Existing Shares; and (ii) will issue a maximum of 570,000,000 new Existing Shares which fall to be issued upon the exercise of the option granted by the Company under the General Mandate. Following the issue of the Subscription Shares, the General Mandate still allows a further 482,601 new Existing Shares to be issued.

### **Subscription Price**

The Subscription Price is HK\$0.03 per Subscription Share and is to be paid in cash on Completion. The Subscription Price was agreed after arm's length negotiations between the Company and the Subscriber and represents:

- a discount of approximately 11.76% to the closing price of HK\$0.034 per Existing Share as quoted on the Stock Exchange on 28 March 2006, being the last trading day immediately before trading in the Existing Shares was suspended pending the release of this announcement;
- a discount of approximately 1.96% to the average closing price of approximately HK\$0.0306 per Existing Share as quoted on the Stock Exchange for the last 5 trading days ended 28 March 2006; and

- a premium of approximately 3.81% over the average closing price of approximately HK\$0.0289 per Existing Share for the last 10 trading days ended 28 March 2006.

The net price per Subscription Share (based on the amount of net proceeds from the Subscription) is approximately HK\$0.0282 per Subscription Share.

The Directors consider that the Subscription Price, which was negotiated on an arm's length basis between the Company and the Subscriber with reference to the prevailing market prices of the Existing Shares, is fair and reasonable and is in the interests of the Company and the Shareholders as a whole.

### **Conditions precedent to the Subscription Agreement**

Completion of the Subscription Agreement is conditional upon the Listing Committee of the Stock Exchange granting approval for the listing of, and permission to deal in, the Subscription Shares and such approval not subsequently being revoked prior to the delivery of the share certificate for the Subscription Shares.

The Company will apply to the Listing Committee of the Stock Exchange for the approval for the listing of, and permission to deal in, the Subscription Shares. If the conditions are not fulfilled on or prior to 28 April 2006 (or such later date as may be agreed between the Company and the Subscriber), the Subscription Agreement will terminate.

The Subscription Agreement is not conditional on the Capital Reorganisation taking effect.

### **Completion of the Subscription Agreement**

Completion of the Subscription Agreement is expected to take place on the second Business Day following the obtaining of the listing approval in respect of the Subscription Shares or such later date as the Company and the Subscriber may agree.

### **REASONS FOR THE SUBSCRIPTION AND USE OF PROCEEDS**

The net proceeds from the Subscription will amount to approximately HK\$4.8 million and will be utilised for general working capital of the Group.

The Group is principally engaged in property investment, the leasing of point-of-sale equipment and the provision of telecommunication and other related services in the Mainland China. The Board is of the view that the Subscription represents a good opportunity to raise additional funds to strengthen financial position of the Group and at the same time broaden its capital base. In addition, the Directors believe that the expertise of Mr. Lee Kwok Leung, Raymond in the IT and telecommunication industry will enhance the Group's business.

## FUND RAISING ACTIVITIES INVOLVING ISSUE OF SECURITIES IN THE PAST 12 MONTHS

Date of announcement	Event	Net proceeds	Intended use of proceeds	Date of mandates granted	Actual use of proceeds up to the date of this announcement
18 May 2005	Placing of 783,000,000 new Existing Shares at HK\$0.02	HK\$15.2 million	General working capital	7 February 2005	Utilised as intended
12 September 2005 and 6 October 2005	(i) Placing of 200,000,000 new Existing Shares at HK\$0.036; and (ii) grant of options at HK\$0.004 per option, upon exercise of which, a maximum of 570,000,000 new Existing Shares will be issued at an exercise price of HK\$0.038	HK\$9.48 million has been received and HK\$21.66 million will be received upon exercise of the option	(i) HK\$23.34 million for reducing bank loans; and (ii) HK\$7.8 million for general working capital	3 June 2005	HK\$2.26 million was used to reduce bank loans; and HK\$7.22 million was used for general working capital

### REVISED EXPECTED TIMETABLE FOR THE CAPITAL REORGANISATION

Reference is made to the announcements of the Company dated 19 July 2005, 12 September 2005, 6 October 2005 and 2 November 2005 (the "Announcements") in relation to, among others, the proposed implementation of the Capital Reorganisation and the postponement thereof. As set out in the Announcements, the Capital Reorganisation involves (i) the Share Consolidation on the basis of every 10 Existing Shares of HK\$0.02 each into one Consolidated Share of HK\$0.20; and (ii) the increase in authorised share capital from HK\$120,000,000 divided into 600,000,000 Consolidated Shares to HK\$200,000,000 divided into 1,000,000,000 Consolidated Shares.

Set out below are the conditions of the Share Consolidation:

The Share Consolidation is conditional on:

- (i) the passing by the Shareholders of a resolution to approve the Share Consolidation at the SGM; and
- (ii) the Listing Committee of the Stock Exchange granting approval for the listing of, and permission to deal in, the Consolidated Shares in issue immediately upon the Share Consolidation taking effect.

The Share Consolidation is expected to take effect on the day on which all of the above conditions are fulfilled.

Set out below is a revised expected timetable for the implementation of the Capital Reorganisation. The Company will notify the Shareholders of any changes to the following expected timetable as and when appropriate.

2006

Despatch of circular in relation to the Capital Reorganisation .....	On or about Monday, 10 April
Latest time for lodging form of proxy for the SGM .....	10:00 a.m. on Tuesday, 25 April
SGM .....	10:00 a.m. on Thursday, 27 April
Effective date of the Capital Reorganisation .....	4:00 p.m. on Thursday, 27 April
Existing counter for trading in Existing Shares in board lots of 10,000 Existing Shares closes .....	9:30 a.m. on Friday, 28 April
Temporary counter for trading in Consolidated Shares in board lots of 1,000 Consolidated Shares (in the form of existing PURPLE share certificates) opens .....	9:30 a.m. on Friday, 28 April
Free exchange of existing PURPLE share certificates for new GREEN share certificates commences .....	Friday, 28 April
Existing counter for trading in Consolidated Shares in board lots of 10,000 Consolidated Shares (in the form of new GREEN share certificates) re-opens .....	9:30 a.m. on Tuesday, 16 May
Parallel trading in Consolidated Shares (in the form of new GREEN and existing PURPLE share certificates) commences .....	9:30 a.m. on Tuesday, 16 May
Designated broker starts to stand in the market to provide matching services for odd lots of shares .....	Tuesday, 16 May
Parallel trading in Consolidated Shares (in the form of new GREEN and existing PURPLE share certificates) ends .....	4:00 p.m. on Wednesday, 7 June
Temporary counter for trading in Consolidated Shares in board lots of 1,000 Consolidated Shares (in the form of existing PURPLE share certificates) closes .....	4:00 p.m. on Wednesday, 7 June
Designated broker standing in the market to provide matching services for odd lots of shares ends .....	Wednesday, 7 June
Free exchange of existing PURPLE share certificates for new GREEN share certificates ends .....	Tuesday, 13 June

## Trading arrangements

Upon the Capital Reorganisation becoming effective, all existing purple share certificates for any number of Existing Shares in issue immediately before the effective date will be deemed to be certificates, and will be effective as documents of title, for one-tenth of that number of Existing Shares. New share certificates (which will be green in colour) will be issued for Consolidated Shares. Parallel trading arrangements will be established on the Stock Exchange for dealings in Consolidated Shares in the form of the existing purple share certificates and in the form of the new green share certificates. The trading arrangements proposed for dealings in Consolidated Shares are set out as follows:

- (i) with effect from 9:30 a.m. on Friday, 28 April 2006, the original counter for trading in Existing Shares in existing board lot of 10,000 Existing Shares will close temporarily. A temporary counter for trading in Consolidated Shares represented by existing purple share certificates in board lot of 1,000 Consolidated Shares will be established. Every existing certificate for whatever number of Existing Shares will be deemed to be a certificate, and will be effective as a document of title valid for settlement and delivery for trading transacted from 9:30 a.m. on Friday, 28 April 2006 to 4:00 p.m. on Wednesday, 7 June 2006 for Consolidated Shares, in the amount equivalent to one-tenth of that number of Existing Shares. The existing purple share certificates for Existing Shares can only be traded at this temporary counter;
- (ii) with effect from 9:30 a.m. on Tuesday, 16 May 2006, the original counter will re-open for trading in Consolidated Shares in new board lot of 10,000 Consolidated Shares. Only new green share certificates for Consolidated Shares can be traded at this counter;
- (iii) with effect from 9:30 a.m. on Tuesday, 16 May 2006 to 4:00 p.m. on Wednesday, 7 June 2006 (both dates inclusive), there will be parallel trading at the counters mentioned in (i) and (ii) above; and
- (iv) the temporary counter for trading in Consolidated Shares represented by the existing purple share certificates in the board lot of 1,000 Consolidated Shares will be removed after the close of trading on Wednesday, 7 June 2006. Thereafter, trading will only be in Consolidated Shares represented by new green share certificates in new board lot of 10,000 Consolidated Shares and the existing purple share certificates for Existing Shares will cease to be marketable and will not be acceptable for dealing and settlement purposes.

Subject to the Capital Reorganisation becoming effective on Thursday, 27 April 2006, Shareholders may, during Friday, 28 April 2006, to Tuesday, 13 June 2006 (both dates inclusive), submit existing purple share certificates for Existing Shares to Tengis Limited, being the branch share registrar and transfer office of the Company in Hong Kong, in exchange, at the expense of the Company, for new green share certificates for Consolidated Shares (on the basis of 10 Existing Shares for one Consolidated Share). Thereafter, certificates for Existing Shares will be accepted for exchange only on payment of a fee of HK\$2.50 (or such higher amount as may be allowed by the Stock Exchange from time to time) for each share certificate for Existing Shares cancelled or each new share certificate issued for Consolidated Shares, whichever number of certificates cancelled/issued is higher. Nevertheless, certificates for Existing Shares will continue to be good evidence of legal title and may be exchanged for certificates for Consolidated Shares at any time.

It is expected that new certificates for Consolidated Share will be available for collection within 10 business days after the submission of the existing share certificates for Existing Shares to the registrar for exchange. Unless otherwise instructed, new share certificates will be issued in board lot of 10,000 Consolidated Shares each.



Odd lots of Consolidated Shares may arise as a result of the Share Consolidation. In order to alleviate the difficulties in trading odd lots of Consolidated Shares, the Company will appoint a securities company to act as the agent to match, on a “best effort” basis, the sale and purchase of odd lots of Consolidated Shares arising from the Share Consolidation from Tuesday, 16 May 2006 up to and including Wednesday, 7 June 2006. Such arrangement is to facilitate Shareholders who wish to dispose of or top up their odd lots of Consolidated Shares. Details of the designated securities company will be disclosed in the circular to be despatched to the Shareholders. Shareholders should note that the successful matching of the sale and purchase of odd lots of Consolidated Shares is not guaranteed. Shareholders are recommended to consult their licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser if they are in doubt about the facility described above.

## SHAREHOLDING STRUCTURE OF THE COMPANY

The shareholding structure of the Company as at the date of this announcement, immediately after Completion and upon completion of the Capital Reorganisation are as follows:

Shareholders	As at the date of this announcement		Immediately after Completion		Upon Completion and completion of the Capital Reorganisation	
	<i>Number of Existing Shares</i>	<i>%</i>	<i>Number of Existing Shares</i>	<i>%</i>	<i>Number of Consolidated Shares</i>	<i>%</i>
High Rank Enterprises Limited ( <i>Note 1</i> )	317,000,000	6.2	317,000,000	6.0	31,700,000	6.0
On Tai Profits Limited ( <i>Note 2</i> )	270,000,000	5.3	270,000,000	5.1	27,000,000	5.1
Morcambe Corporation ( <i>Note 3</i> )	270,000,000	5.3	270,000,000	5.1	27,000,000	5.1
Morgan Estate Assets Limited ( <i>Note 4</i> )	155,000,000	3.0	155,000,000	3.0	15,500,000	3.0
Sub-total	1,012,000,000	19.8	1,012,000,000	19.2	101,200,000	19.2
Subscriber	–	–	170,000,000	3.2	17,000,000	3.2
Other public Shareholders ( <i>Note 5</i> )	4,090,413,009	80.2	4,090,413,009	77.6	409,041,300	77.6
Total	<u>5,102,413,009</u>	<u>100.0</u>	<u>5,272,413,009</u>	<u>100.0</u>	<u>527,241,300</u>	<u>100.0</u>

### Notes:

- Each of Mr. Ho Tsam Hung and Mr. Ho Kam Hung, being the executive Directors, is interested in approximately 31.58% of the issued share capital of High Rank Enterprises Limited. Mr. Ho Tsam Hung and Mr. Ho Kam Hung are brotherhood.
- On Tai Profits Limited is wholly owned by Mr. Ho Pak Hung, a former Director.
- Morcambe Corporation is wholly owned by Mr. Ho Kam Hung, an executive Director.
- Morgan Estate Assets Limited is wholly owned by Mr. Ho Tsam Hung, an executive Director.
- The figures are based on the latest information available to the Company.

## **GENERAL**

The SGM will be held on 27 April 2006 to consider, if thought fit, to approve the resolutions to be proposed in respect of the Capital Reorganisation. No Shareholders are required to abstain from voting at the SGM.

A circular containing details of the Capital Reorganisation will be despatched to the Shareholders as soon as practicable.

As at the date of this announcement, the Board comprises: (i) Messrs. Ho Tsam Hung, Ho Kam Hung and Yang Jia Jian as executive directors; (ii) Ms. Lam Kuo, Ms. Yeung Mo Sheung, Ann and Mr. Young Kwok Sui as non-executive directors; and (iii) Messrs. Wong Ting Kon, Lawrence K. Tam and Wong Miu Ting, Ivy as independent non-executive directors.

## **SUSPENSION AND RESUMPTION OF TRADING**

Trading in the Existing Shares on the Stock Exchange was suspended at the request of the Company with effect from 9:30 a.m. on 29 March 2006 pending the release of this announcement. Application has been made to the Stock Exchange for the resumption of trading in the Existing Shares with effect from 9:30 a.m. on 30 March 2006.

## **DEFINITIONS**

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

“associate”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Business Day”	a day (other than a Saturday) on which banks are open for business in Hong Kong
“Capital Reorganisation”	(i) the Share Consolidation; and (ii) the increase in authorised share capital of the Company from HK\$120,000,000 to HK\$200,000,000, details of which are set out in the announcements of the Company dated 19 July 2005 and 12 September 2005
“Company”	Zhong Hua International Holdings Limited, a company incorporated in Bermuda with limited liability whose issued shares are listed on the Main Board of the Stock Exchange
“Completion”	completion of the Subscription Agreement
“Consolidated Share(s)”	new ordinary share(s) of HK\$0.20 each in the capital of the Company after the Share Consolidation has become effective
“Directors”	the directors of the Company
“Existing Share(s)”	existing ordinary share(s) of HK\$0.02 each in the capital of the Company



“General Mandate”	the general mandate granted to the Directors to exercise the powers of the Company to allot, issue and deal with shares of the Company up to 20% of the issued share capital of the Company pursuant to the ordinary resolution of the Shareholders passed in the 2005 annual general meeting of the Company held on 3 June 2005
“Group”	the Company and its subsidiaries
“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
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“SGM”	the special general meeting of the Company to be held to consider, and if appropriate, to approve the Capital Reorganisation
“Share Consolidation”	the proposed consolidation of every 10 Existing Shares of HK\$0.02 each into one Consolidated Share of HK\$0.20, details of which are set out in the announcement of the Company dated 19 July 2005
“Shareholders”	holders of the Existing Shares or Consolidated Shares (as the case may be)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber”	Trendy Way Investments Limited, a company incorporated in the British Virgin Islands
“Subscription”	the subscription of the Subscription Shares by the Subscriber pursuant to the Subscription Agreement
“Subscription Agreement”	the conditional subscription agreement dated 28 March 2006 entered into between the Company and the Subscriber in relation to the Subscription
“Subscription Price”	the price of HK\$0.03 per Subscription Share
“Subscription Shares”	170,000,000 new Existing Shares to be issued by the Company pursuant to the Subscription

By Order of the Board  
**Zhong Hua International Holdings Limited**  
**Ho Kam Hung**  
*Executive Director*

Hong Kong, 29 March 2006

*\* For identification purpose only*