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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or otherwise transferred all your shares in Zhong Hua International Holdings Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser(s) or transferee(s) or to the bank, licensed securities dealer, or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

**ZHONG HUA INTERNATIONAL HOLDINGS LIMITED****中華國際控股有限公司****(Incorporated in Bermuda with limited liability)***(Stock code: 1064)****SHARE CONSOLIDATION****PROPOSED INCREASE IN AUTHORIZED SHARE CAPITAL****GENERAL MANDATE TO ISSUE AND REPURCHASE SHARES**

A notice convening a Special General Meeting of Zhong Hua International Holdings Limited to be held at Joint Professional Centre, Unit 1, Ground Floor, The Center, 99 Queen's Road Central, Hong Kong, at 2:00 p.m., on 8th November 2005, is set on pages 16 to 19 of this circular. Whether or not you intend to attend the Special General Meeting, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the Company's share registrar in Hong Kong, Tengis Limited at 28th Floor, BEA Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong, as soon as practicable and in any event not less than 48 hours before the time appointed for holding of the meeting. Completion and return of the form of proxy will not preclude you from attending and voting in person.

* *For identification purposes only*

24th October 2005

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DEFINITIONS

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

| | |
|---------------------------|---|
| “Board” | the board of Directors |
| “Bye-laws” | the bye-laws of the Company |
| “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 (the extent of which is revised from HK\$120,000,000 to HK\$200,000,000 by the creation of an additional 400,000,000 Consolidated Shares) |
| “Company” | Zhong Hua International Holdings Limited, a company incorporated in Bermuda with limited liability and the shares of which are listed on the Main Board of the Stock Exchange |
| “Consolidated Share(s)” | new share(s) of HK\$0.20 each in the capital of the Company after the Share Consolidation has become effective |
| “Director(s)” | the director(s) of the Company |
| “Existing Share(s)” | existing share(s) of HK\$0.02 each in the capital of the Company |
| “Group” | the Company and its subsidiaries |
| “Hong Kong” | the Hong Kong Special Administrative Region of the PRC |
| “Latest Practicable Date” | 21st October 2005 |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange |
| “PRC” | the People’s Republic of China |
| “SFO” | Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) |

DEFINITIONS

| | |
|--------------------------|---|
| “SGM” | the special general meeting of the Company to be held on 8th November 2005 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 |
| “Shareholder(s)” | holder(s) of the Existing Shares or Consolidated Shares (as the case may be) |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “Subscription Agreement” | the agreement for subscription of option and new shares entered into between the Company, Hero Grand Investments Limited and Mr. Leung Po Wa dated 31st August 2005 |
| “Supplemental Agreement” | the supplemental agreement entered into between the Company, Hero Grand Investments Limited and Mr. Leung Po Wa dated 23rd September 2005 (as further supplemented by an agreement of extension entered into between the Company, Hero Grand Investments Limited and Mr. Leung Po Wa dated 30th September 2005) |
| “HK\$” | Hong Kong dollars |

EXPECTED TIMETABLE

2005

Expected date of SGM 2:00 p.m. on Tuesday, 8th November

Effective date of the Capital Reorganisation 4:00 p.m. on Tuesday, 8th November

Existing counter for trading in Existing Shares

in board lots of 10,000 Shares closes 9:30 a.m. on Wednesday, 9th November

Temporary counter for trading in Consolidated Shares

in board lots of 1,000 Consolidated Shares

(in the form of existing share certificates) opens 9:30 a.m. on Wednesday,
9th November

Free exchange of existing PURPLE share certificates

for new GREEN share certificates commences Wednesday, 9th November

Existing counter for trading in Consolidated Shares

in board lots of 10,000 Consolidated Shares

(in the form of new GREEN share certificates) opens 9:30 a.m. on Wednesday,
23rd November

Parallel trading in Consolidated Shares

(in the form of new GREEN and existing

PURPLE share certificates) commences 9:30 a.m. on Wednesday, 23rd November

Designated broker starts to stand in the market

to provide matching services for odd lots of shares Wednesday, 23rd November

Parallel trading in Consolidated Shares

(in the form of new GREEN and existing

PURPLE share certificates) ends 4:00 p.m. on Wednesday, 14th December

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,
14th December

Designated broker standing in the market to provide

matching services for odd lots of shares ends Wednesday, 14th December

Free exchange of existing PURPLE share certificates

for new GREEN share certificates ends Monday, 19th December

All times in this circular refers to Hong Kong times.

LETTER FROM THE BOARD



ZHONG HUA INTERNATIONAL HOLDINGS LIMITED

中華國際控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock code: 1064)

Lam Kuo (*Non-Executive Chairman*)

Ho Tsam Hung (*Executive Vice Chairman*)

Ho Kam Hung (*Executive Director*)

Yang Jia Jian (*Executive Director*)

Yeung Mo Sheung Ann (*Non-Executive Director*)

Young Kwok Sui (*Independent Non-Executive Director*)

Wong Ting Kon (*Independent Non-Executive Director*)

*Head office and principal place
of business in Hong Kong:*

Unit 6307, 63rd Floor

The Center

99 Queen's Road Central

Hong Kong

Registered office:

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

24th October 2005

To the Shareholders

Dear Sir or Madam,

SHARE CONSOLIDATION PROPOSED INCREASE IN AUTHORIZED SHARE CAPITAL GENERAL MANDATE TO ISSUE AND REPURCHASE SHARES

INTRODUCTION

The purpose of this circular is to provide you with information in respect of the following resolutions to be proposed at the SGM to be held on 8th November 2005:

- (a) the increase in the authorized share capital of the Company;
- (b) the proposed share consolidation of every ten ordinary share(s) of HK\$0.02 each in the issued and unissued share capital of the Company into one ordinary share of HK\$0.20 each in the capital of the Company; and
- (c) the refreshment of the general mandate to issue and repurchase shares.

* *For identification purposes only*

LETTER FROM THE BOARD

SHARE CONSOLIDATION

As set out in the announcement of the Company dated 6th October 2005, the Company will convene the SGM for the purpose of considering and approving a consolidation of the Existing Shares.

The Board proposes the Share Consolidation involving a consolidation of every 10 shares of HK\$0.02 each into one share of HK\$0.20 each. No certificates for fractions of Consolidated Shares will be issued to any Shareholder. However, fractions of Consolidated Shares will be aggregated and, if possible, sold for the benefit of the Company.

Effects of the Share Consolidation

As at the Latest Practicable Date, the authorised share capital of the Company amounted to HK\$120,000,000 comprising 6,000,000,000 Existing Shares, of which 4,702,413,009 Existing Shares have been allotted and issued as fully-paid or credited as fully-paid. Upon the Share Consolidation taking effect and on the basis that the Company does not allot and issue any further Existing Shares prior to, the authorised share capital of the Company will remain at HK\$120,000,000 but will comprise 600,000,000 Consolidated Shares of which 470,241,300 Consolidated Shares will be in issue. The Consolidated Shares will rank pari passu in all respects with each other.

Other than the expenses incurred in relation to the Share Consolidation, the implementation thereof will not alter the underlying assets or financial position of the Company or the interests or rights of the Shareholders, save that Shareholders will not have any entitlement to fractions of Consolidated Shares.

An application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Consolidated Shares in issue upon the Share Consolidation taking effect.

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.

Expected effective date of the Share Consolidation

Subject to all of the above conditions are fulfilled, the Share Consolidation shall take effect on the date of passing of the relevant resolution by the Shareholders, which is expected to be on 8th November 2005.

LETTER FROM THE BOARD

An announcement as to whether the resolution for approving the Share Consolidation is passed by the Shareholders at the SGM will be made.

Reasons for the Share Consolidation

As set out in the announcement of the Company dated 18th May 2005, as the market price of the Existing Shares approaches the extremity of HK\$0.01 per Existing Share, in compliance with Rule 13.64 of the Listing Rules, the Board proposed the Share Consolidation. Furthermore, in view of the relatively low market value for each existing board lot of the Existing Shares, the Directors consider that the Share Consolidation will increase the aggregate market value of each board lot of the Consolidated Shares and reduce the transaction costs for dealing in the shares in the Company including charges with reference to the number of share certificates issued.

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 Wednesday, 9th November, 2005, 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 Wednesday, 9th November, 2005 to 4:00 p.m. on Wednesday, 14th December, 2005 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 Wednesday, 23rd November, 2005, 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 Wednesday, 23rd November, 2005 to 4:00 p.m. on Wednesday, 14th December, 2005 (both dates inclusive), there will be parallel trading at the counters mentioned in (i) and (ii) above; and

LETTER FROM THE BOARD

- (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, 14th December, 2005. 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 Tuesday, 8th November, 2005, Shareholders may, during Wednesday, 9th November, 2005, to Monday, 19th December, 2005 (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.

Quam Securities Company Limited will provide such services during the period from Wednesday, 23rd November, 2005 up to and including Wednesday, 14th December, 2005, both days inclusive. Holders of Consolidated Shares in odd lots who wish to take advantage of this services either to dispose of or top up their odd lots to a board lots 10,000 Consolidated Shares may directly or through their brokers contact Quam Securities Company Limited at 32nd Floor, Gloucester Tower, The Landmark, 11 Pedder Street, Central, Hong Kong and at telephone number (852) 2847 2269, to the attention of Mr. Ho Sin Cheung during such period.

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.

Listing and dealings

Dealings in the Consolidated Shares on the branch share registrar of the Company maintained in Hong Kong will be subject to Hong Kong stamp duty but no stamp duty would be payable in Bermuda.

LETTER FROM THE BOARD

Subject to the granting of, and permission to deal in, the Consolidated Shares on the Stock Exchange, the Consolidated Shares will be accepted as eligible securities by Hong Kong Securities Clearing Company Limited (“HKSCC”) for deposit, clearance and settlement in the Central Clearing and Settlement System (“CCASS”) with effect from the commencement date of dealings in the Consolidated Shares on the Stock Exchange or such other date as 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 day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

INCREASE IN THE AUTHORIZED SHARE CAPITAL

As at the Latest Practicable Date, the authorized share capital of the Company is HK\$120,000,000 divided into 6,000,000,000 Existing Shares. After the Share Consolidation, the authorized share capital of the Company will become HK\$120,000,000 divided into 600,000,000 Consolidated Shares.

In order to increase the flexibility in the affairs of the Group to capture investment opportunities for future growth, the Directors propose to increase the authorised share capital of the Company. The authorised share capital is currently proposed to increase 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 by the creation of an additional 400,000,000 Consolidated Shares.

GENERAL MANDATE TO ISSUE SHARES AND REPURCHASE SHARES

At the SGM, ordinary resolutions will be proposed to grant to the Directors a general mandate to exercise the power of the Company to allot, issue and deal with additional Shares not exceeding 20% of the aggregate nominal amount of the issued share capital of the Company as enlarged by the placing pursuant to the Subscription Agreement and the Supplemental Agreement as at the date of passing of the relevant resolution (the “Share Issue Mandate”) and approve an extension of the Share Issue Mandate by adding to it the aggregate nominal amount of any Shares repurchased by the Company under the Repurchase Mandate (as hereinafter defined), details of which are set out as ordinary resolutions no. 4 and 5 in the Notice of SGM dated 24th October 2005 (the “SGM Notice”).

An ordinary resolution will also be proposed at the SGM to grant to the Directors a general mandate to exercise the powers of the Company to repurchase Shares up to a maximum of 10 per cent. of the aggregate nominal amount of the issued share capital of the Company as enlarged by the placing pursuant to the Subscription Agreement and the Supplemental Agreement as the date of the passing of the resolution (the “Repurchase Mandate”) as set out as ordinary resolution no. 3 of the SGM Notice. An explanatory statement as required under Rule 10.06(1)(b) of the Listing Rules in connection with the Repurchase Mandate is set out in Appendix I of this circular.

LETTER FROM THE BOARD

SGM

A notice convening the SGM to be held at Joint Professional Centre, Unit 1, Ground Floor, The Center, 99 Queen's Road Central, Hong Kong at 2:00 p.m. on 8th November 2005, for the purpose of considering (i) the Share Consolidation, (ii) the proposed increase in authorized share capital of the Company and (iii) the refreshment of the general mandate to issue and repurchase shares is contained on pages 16 to 19 of this circular.

Whether or not you intend to attend the SGM, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the Company's share registrar in Hong Kong, Tengis Limited at 28th Floor, BEA Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for holding of the meeting. Completion and return of the form of proxy will not preclude you from attending and voting in person.

PROCEDURES FOR DEMANDING A POLL BY THE SHAREHOLDERS

Pursuant to Article 66 of the Bye-laws, a resolution put to the vote of a meeting shall be decided on a show of hands unless (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is demanded:

- (a) by the chairman of such meeting; or
- (b) by at least three members present in person (or in the case of a member being a corporation, by its duly authorized representative) or by proxy for the time being entitled to vote at the meeting; or
- (c) by a member or members present in person (or in the case of a member being a corporation, by its duly authorized representative) or by proxy and representing not less than one-tenth of the total voting rights of all members having the rights to vote at the meeting; or
- (d) by a member or members present in person (or in the case of a member being corporation, by its duly authorized representative) 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 paid up equal to not less than one-tenth of the total sum paid up on all Shares conferring that right.

A demand by person as proxy for a member or, in the case of a member being a corporation, by its duly authorized representative shall be deemed to be the same as a demand by a member.

LETTER FROM THE BOARD

RECOMMENDATION

The Directors consider that the Capital Reorganization is in the best interests of the Company and the Shareholders, and therefore recommend the Shareholders to vote in favour of the resolutions at the SGM.

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

This explanatory statement contains all the information required pursuant to Rule 10.06(1)(b) of the Listing Rules.

(A) RELEVANT LAW AND PROVISIONS OF THE LISTING RULES

The Listing Rules permit companies whose primary listings are on the Stock Exchange to repurchase in cash their shares which are fully paid-up on the Stock Exchange subject to certain restrictions. The following is a summary of the relevant law and the principal provisions of the Listing Rules concerning the repurchase by the Company of its own shares.

(i) Shareholders' approval

All repurchases of shares by a company with its primary listing on the Stock Exchange must be approved in advance by an ordinary resolution, either by way of general mandate or by specific approval in relation to specific transactions.

(ii) Source of funds

Repurchases may only be funded out of funds legally available for the purpose in accordance with the Company's memorandum of association, bye-laws and the applicable laws of Bermuda. Under Bermuda law, any repurchases by the Company may be made out of capital paid up on the Shares to be repurchased, or out of funds of the Company which would otherwise be available for dividend or distribution or out of the proceeds of a fresh issue of Shares made for the purpose and, in the case of premiums payable on repurchase, funds of the Company which would otherwise be available for dividend or distribution or out of the share premium account of the Company.

(iii) Trading restrictions

The total number of shares which a company is authorised to repurchase on the Stock Exchange is shares representing up to a maximum of 10 per cent. of the issued share capital of the Company as at the date of the resolution granting the Repurchase Mandate. A company may not issue or announce an issue of shares of the type that has been repurchased for a period of 30 days immediately following a repurchase (except pursuant to the exercise of share options or similar instruments outstanding prior to the repurchase). In addition, a company is also prohibited from making share repurchase on the Stock Exchange if the repurchase would result in the number of listed shares in the hands of the public falling below 25 per cent. or the relevant prescribed minimum percentage as required by the Stock Exchange.

As at the Latest Practicable Date, the Directors were collectively taken to be interested in 742,000,000 Shares, representing about 15.8 per cent. of the issued share capital of the Company.

A company shall not purchase its own shares on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time. A company shall procure that any broker appointed by it to effect the purchase of its own shares shall disclose to the Stock Exchange such information with respect to purchases made on behalf of the company as the Stock Exchange may request.

(iv) Status of repurchased shares

The listing of all Shares purchased by the Company (whether on the Stock Exchange or otherwise) is automatically cancelled and the certificates of those Shares must be destroyed. Under Bermuda law, a company's purchased Shares shall be treated as cancelled, and its issued share capital will be diminished by the nominal value of such Shares accordingly, but the aggregate amount of the authorised share capital will not be reduced.

(v) Suspension of repurchases

Any share repurchase programme is required to be suspended after a price sensitive development has occurred or been the subject of a decision until the price sensitive information has been publicly announced. A company is also prohibited from making any repurchase of shares on the Stock Exchange during the period of one month immediately preceding either the preliminary announcement of the company's annual results or the publication of the company's interim report, unless the circumstances are exceptional. In addition, the Stock Exchange reserves the right to suspend a share repurchase programme on the Stock Exchange if a company has breached the Listing Rules.

(vi) Reporting requirements

Repurchase of shares on the Stock Exchange must be reported to the Stock Exchange not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the following business day. In addition, a company's annual report is required to disclose details regarding the share repurchases made during the year, including the number of shares repurchased each month, the purchase price for the shares or the highest and lowest price paid for all such shares purchases and the aggregate price paid by the company for such repurchases. Furthermore, the directors' report shall contain a reference to the repurchases made during the year and a statement by the directors of the reasons for such repurchases.

(vii) Connected parties

A company is prohibited from knowingly repurchasing shares on the Stock Exchange from a "connected person", that is, a director, chief executive or substantial shareholder of the company, or any of its subsidiaries or their respective associates (as defined in the Listing Rules) and a connected person is prohibited from knowingly selling his shares to the company.

(B) SHARES OF THE COMPANY

It is proposed that up to 10 per cent. of the Shares in issue at the date of the passing of the ordinary resolution no. 3 set out in the SGM Notice may be repurchased. As at the Latest Practicable Date, 4,702,413,009 Shares were in issue. Subject to the passing of the relevant resolution and on the basis that no further Shares are issued or repurchased prior to the Annual General Meeting, the Company would be allowed under the Repurchase Mandate to repurchase up to 470,241,300 Shares during the period up to the next annual general meeting in 2006 or the expiration of the period within which the next annual general meeting of the Company is required by its memorandum of association, bye-laws and/or the relevant laws enforced in Bermuda to be held or the revocation or variation of the Repurchase Mandate by an ordinary resolution of the shareholders in general meeting of the Company, whichever occurs first.

(C) REASONS FOR REPURCHASES

Repurchases of Shares will only be made when the Directors believe that such a repurchase will benefit the Company and its shareholders. Such repurchases may, depending on the market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share.

Whilst the Directors do not presently intend to repurchase any Shares, they believe that the flexibility afforded by the mandate granted to them, if the resolution authorising the Repurchase Mandate is passed, would be beneficial to the Company.

(D) FUNDING OF REPURCHASES

Repurchases pursuant to the proposed Repurchase Mandate would be financed entirely from the Company's available cash flow or working capital facilities. Any repurchases will be made out of funds of the Company legally permitted to be utilised in this connection in accordance with its memorandum of association, bye-laws and applicable laws of Bermuda. There might be a material adverse impact on the working capital, or gearing position of the Company (as compared with the position disclosed in its most recent published audited consolidated accounts for the year ended 31st December 2004) in the event that the Repurchase Mandate is exercised in full at any time during the proposed repurchase period. However, the Directors do not propose to exercise the Repurchase Mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements or gearing levels of the Company which, in the opinion of the Directors, are from time to time appropriate for the Company.

(E) DISCLOSURE OF INTERESTS

None of the Directors, to the best of their knowledge, after having made all reasonable enquires, nor their associates (as defined in the Listing Rules), have any present intention, if the Repurchase Mandate is approved by shareholders of the Company, to sell any Shares to the Company or its subsidiaries. No connected persons (as defined in the Listing Rules) of the Company have notified the Company that they have a present intention to sell Shares held by them to the Company, or have undertaken not to do so, if the Repurchase Mandate is approved by shareholders of the Company.

(F) DIRECTORS' UNDERTAKING

The Directors have undertaken to the Stock Exchange that, they will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws of Bermuda.

(G) SHARE REPURCHASE MADE BY THE COMPANY

No repurchase of Shares have been made by the Company (whether on the Stock Exchange or otherwise) in the six months prior to the Latest Practicable Date.

(H) TAKEOVERS CODE CONSEQUENCES

If, as a result of a repurchase of Shares pursuant to the Repurchase Mandate, a shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for the purposes of the Hong Kong Code on Takeovers and Mergers (the "Takeovers Code"). As a result, a shareholder or group of shareholders of the Company acting in concert, depending on the level of increase of the shareholders' interest, could obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. As at the Latest Practicable Date, the Directors (being the controlling shareholder of the Company) were collectively taken to be interested in 742,000,000 Shares, representing about 15.8 per cent. of the issued capital of the Company. In the event that the Directors exercised in full the power to repurchase Shares which is proposed to be granted pursuant to the Repurchase Mandate, the shareholding of the Directors would be increased to about 17.5 per cent. of the issued capital of the Company and would not become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code.

(I) MARKET PRICES

The highest and lowest prices at which the Shares have traded on the Stock Exchange during each of the previous twelve months prior to the Latest Practicable Date were as follows:

| | Traded market price | |
|---|------------------------|-----------------------|
| | Highest <i>HK\$</i> | Lowest <i>HK\$</i> |
| 2004 | | |
| October | 0.111 | 0.080 |
| November | 0.120 | 0.083 |
| December | 0.110 | 0.070 |
| 2005 | | |
| January | 0.152 | 0.059 |
| February | 0.059 | 0.042 |
| March | 0.075 | 0.044 |
| April | 0.047 | 0.024 |
| May | 0.052 | 0.020 |
| June | 0.084 | 0.033 |
| July | 0.070 | 0.034 |
| August | 0.045 | 0.034 |
| September | 0.055 | 0.031 |
| October (up to the Latest Practicable Date) | – | – |

NOTICE OF SPECIAL GENERAL MEETING



ZHONG HUA INTERNATIONAL HOLDINGS LIMITED

中華國際控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock code: 1064)

NOTICE IS HEREBY GIVEN that a special general meeting of Zhong Hua International Holdings Limited (the “Company”) will be held at Joint Professional Centre, Unit 1, Ground Floor, The Center, 99 Queen’s Road Central, Hong Kong at 2:00 p.m. on 8th November 2005, for the purpose of considering and, if thought fit, passing, with or without modifications, the following resolutions as ordinary resolutions:

ORDINARY RESOLUTIONS

1. **“THAT** subject to and conditional upon the granting by the listing committee of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) for the listing of and permission to deal in the Consolidated Shares (as defined in paragraph (a) of this resolution below):
 - (a) with effect from 4:00 p.m. (Hong Kong time) on the date on which this resolution is passed, every ten ordinary shares of HK\$0.02 each in the issued and unissued share capital of the Company be consolidated into one ordinary share of HK\$0.20 each (each a “Consolidated Share”);
 - (b) all fractions of the Consolidated Shares to which holders of issued ordinary shares of HK\$0.02 each in the share capital of the Company would otherwise be entitled to be aggregated, sold and retained for the benefit of the Company; and
 - (c) the directors of the Company (the “Directors”) be and are generally authorized to do all such acts and things and execute all such documents, including under seal where applicable, as they consider necessary or expedient to give effect to the foregoing arrangements.”
2. **“THAT** upon the resolution No. 1 contained in the notice of special general meeting of which this resolution forms part becoming effective, the authorized share capital of the Company be and is hereby increased from HK\$120,000,000 to HK\$200,000,000 by the creation of an additional 400,000,000 Consolidated Shares in the capital of the Company.”

* *For identification purposes only*

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3. **“THAT:**

- (a) subject to paragraph (b) below, the exercise by the Directors during the Relevant Period (as hereinafter defined) of all the powers of the Company to repurchase shares of HK\$0.20 each in the capital of the Company on the Stock Exchange or on any other stock exchange on which the securities of the Company may be listed and recognized by The Securities and Futures Commission of Hong Kong and the Stock Exchange for this purpose under the Hong Kong Code on Share Repurchases, subject to and in accordance with all applicable laws and the requirements of the Rules Governing the Listing of Securities on the Stock Exchange or of any other stock exchange as amended from time to time, be and is hereby generally and unconditionally approved;
- (b) the aggregate nominal amount of shares of the Company which the Company is authorized to repurchase pursuant to the approval in paragraph (a) above shall not exceed 10 per cent. of the aggregate nominal amount of the share capital of the Company in issue at the date of this Resolution, and the said approval shall be limited accordingly; and
- (c) for the purposes of this Resolution, “Relevant Period” means the period from the passing of this Resolution until whichever is the earlier of:
 - (i) the conclusion of the next annual general meeting of the Company;
 - (ii) the expiration of the period within which the next annual general meeting of the Company is required by law or the bye-laws of the Company to be held; or
 - (iii) the date on which the authority set out in this Resolution is revoked or varied by an ordinary resolution of the shareholders in general meeting of the Company.”

4. **“THAT:**

- (a) subject to paragraph (c) below, the exercise by the Directors during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue or otherwise deal with additional shares of HK\$0.20 each in the capital of the Company or securities convertible into such shares, or options, warrants or similar rights to subscribe for any shares in the Company and to make or grant offers, agreements and options (including bonds, warrants and debentures convertible into shares of the Company) which would or might require the exercise of such powers, be and is hereby generally and unconditionally approved;
- (b) the approval in paragraph (a) of this Resolution shall authorize the Directors during the Relevant Period (as hereinafter defined) to make or grant offers, agreements and options (including bonds, warrants and debentures convertible into shares of the Company) which would or might require the exercise of such power after the end of the Relevant Period;

NOTICE OF SPECIAL GENERAL MEETING

- (c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) and issued by the Directors pursuant to the approval in paragraph (a) of this Resolution, otherwise than pursuant to:
- (i) a Rights Issue (as hereinafter defined);
 - (ii) an issue of shares as scrip dividends pursuant to the bye-laws of the Company from time to time;
 - (iii) an issue of shares of the Company upon the exercise of the subscription or conversion rights under the terms or any warrants or other securities issued by the Company carrying a right to subscribe for shares of the Company; and
 - (iv) an issue of shares under any option scheme or similar arrangement for the time being adopted for the grant or issue to employees of the Company and/or any of its subsidiaries of shares or rights to acquire shares of the Company shall not exceed 20 per cent. of the aggregate nominal amount of the issued share capital of the Company as enlarged by the placing pursuant to the agreement for subscription of option and new shares entered into between the Company, Hero Grand Investments Limited (the “Subscriber”) and Mr. Leung Po Wa (“Mr. Leung”) dated 31st August 2005 (the “Subscription Agreement”) and the supplemental agreement entered into between the Company, the Subscriber and Mr. Leung dated 23rd September 2005 (as further supplemented by an agreement of extension entered into between the Company, the Subscriber and Mr. Leung dated 30th September 2005) (the “Supplemental Agreement”) as at the date of passing this Resolution, and the said approval shall be limited accordingly; and
- (d) for the purpose of this Resolution,

“Relevant Period” means the period from the passing of this Resolution until whichever is the earlier of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by law or the bye-laws of the Company to be held; or
- (iii) the date on which the authority set out in this Resolution is revoked or varied by an ordinary resolution of the shareholders in general meeting of the Company.

“Rights Issue” means the allotment issue or grant of shares pursuant to an offer of shares open for a period fixed by the Directors to holders of shares of the Company whose names appear on the register of members of the Company on a fixed record

NOTICE OF SPECIAL GENERAL MEETING

date in proportion to their then holdings of such shares as at that date (subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognized regulatory body or any stock exchange in, any territory outside Hong Kong applicable to the Company).”

5. “**THAT** subject to the passing of Resolutions No. 3 and No. 4 set out in the notice convening this meeting, the general mandate granted to the Directors to allot, issue and deal with additional shares pursuant to Resolution No. 4 set out in the notice convening this meeting be and is hereby extended by the addition thereto of an amount representing the aggregate nominal amount of shares in the capital of the Company repurchased by the Company under the authority granted pursuant to Resolution No. 3 set out in the notice convening this meeting, provided that such amount of shares so repurchased shall not exceed 10 per cent. of the aggregate nominal amount of the issued share capital of the Company as enlarged by the placing pursuant to the Subscription Agreement and the Supplemental Agreement as at the date of passing of the said Resolution.”

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

Hong Kong, 24th October 2005

*Head office and principal place
of business in Hong Kong:*

Unit 6307, 63rd Floor
The Center
99 Queen’s Road Central
Hong Kong

Registered office:
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Notes:

1. A member entitled to attend and vote at the above meeting of the Company shall be entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member. In addition, a proxy or proxies representing either a member who is an individual or a member which is a corporation shall be entitled to exercise the same powers on behalf of the member which he or they represent as such member could exercise.
2. Where there are joint holders of any share, any one of such joint holder may vote, either in person 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 the vote of the senior who tenders a vote, whether in person or proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for his purpose seniority shall be determined by the order in which the names stand in the register in respect of the joint holding.
3. In order to be valid, the form of proxy duly completed and signed in accordance with the instructions printed thereon together with the power of attorney or other authority, if any, under which it is signed or a certified copy thereon must be deliver to the Company’s share registrar in Hong Kong, Tengis Limited at 28th Floor, BEA Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.