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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)**

## **Major Transaction Proposed acquisition of the entire issued share capital of Telesuccess International Limited and**

### **Supplemental Agreement regarding change of payment terms of the asset disposal agreement dated 25th October, 2002**

#### **Major Transaction:**

The Purchaser, a wholly-owned subsidiary of the Company, and the Vendor entered into the Agreement on 26th March, 2004 whereby the Purchaser agreed to acquire and the Vendor agreed to sell the Sale Share, being the entire issued share capital of Telesuccess. The sole asset of Telesuccess is its 80.9% equity interest in 廣州天城網絡通訊有限公司 (GuangZhou Sky City Network Communication Ltd.), a sino-foreign co-operative joint venture set up in the PRC in 1997.

The consideration for the sale and purchase of the Sale Share is HK\$200,000,000, which will be satisfied as to HK\$140,000,000 by cash and as to the remaining HK\$60,000,000 by the issue and allotment of the Consideration Shares.

The Acquisition contemplated under the Agreement constitutes a major transaction for the Company pursuant to Rule 14.09 of the Listing Rules and is subject to approval of the Shareholders.

High Rank Enterprises Limited, Morgan Estate Assets Limited, On Tai Profits Limited, Morcambe Corporation and Successful Future Services Limited being the Shareholders interested in approximately 65.77% of the issued share capital of the Company have given written consent to the Company to approve the Agreement. The Company has therefore applied a waiver from the Stock Exchange from the requirement to convene a physical shareholders' meeting to approve the Agreement on the basis that approval has been obtained by way of written consent issued by the aforesaid Shareholders.

A circular will be despatched as soon as practicable to the Shareholders containing, among other things, further details of the Agreement, accountants' report on Telesuccess and other financial information of the Group.

### **Supplemental Agreement regarding change of payment terms:**

China Land, a wholly-owned subsidiary of the Company, entered into the Supplemental Agreement with Guangdong Properties to supplement the Asset Disposal Agreement dated 25th October, 2002 which constituted a major transaction for the Company under the Listing Rules at that time.

Instead of being satisfied by GZ Dongxun delivering vacant possession and assigning to China Land and/or its nominee a total gross floor area of 23,000 square metres of completed units of Phase IV Development, the balance of the consideration of HK\$230 million of the Disposal shall be satisfied by Guangdong Properties paying to China Land HK\$230 million in cash.

Trading in the Shares has been suspended at the request of the Company with effect from 9:30 a.m. on 26th March, 2004 pending the release of this announcement. Application has been made to the Stock Exchange for the resumption of trading in the Shares with effect from 9:30 a.m. on 2nd April, 2004.

### **THE AGREEMENT DATED 26TH MARCH, 2004**

#### **Parties to the Agreement**

Vendor: Mr. Man, the legal and beneficial owner of the Sale Share

Purchaser: China Land Realty Investment (BVI) Limited, a wholly-owned subsidiary of the Company

The Vendor is an independent third party not connected with the directors, chief executive or substantial shareholders of the Company or any of its subsidiaries or an associate of any of them.

#### **Subject matter of sale and purchase**

Pursuant to the Agreement, the Purchaser agreed to acquire and the Vendor agreed to sell the Sale Share, being the entire issued share capital of Telesuccess. The sole asset of Telesuccess is its 80.9% equity interest in 廣州天城網絡通訊有限公司 (GuangZhou Sky City Network Communication Ltd.), a sino-foreign co-operative joint venture set up in the PRC in 1997. The remaining 19.1% interest in CJV is owned by the PRC Party which is an independent third party not connected to the directors, chief executive or substantial shareholders of the Company and its subsidiaries or any of their respective associates.

The Sale Share shall be acquired by the Purchaser free from all liens, rights of pre-emption, charges, encumbrances, equities and third party's rights of any kind and together with all dividends, interest, bonuses, distributions or other rights now or hereafter attaching thereto.

#### **Consideration**

The consideration for the sale and purchase of the Sale Share is HK\$200,000,000, which will be satisfied as to HK\$140,000,000 by cash and as to the remaining HK\$60,000,000 by the issue and allotment of the Consideration Shares of 464,396,284 new Shares at an issue price of HK\$0.1292 per Share by the Company to the Vendor.

The Consideration is arrived at after arm's length negotiations between the Company and the Vendor with reference to the proforma unaudited consolidated net asset value of Telesuccess of approximately RMB133.2 million (approximately HK\$125.7 million) as at 31st December, 2003 referred to in the paragraph headed "Information on Telesuccess and CJV" below.

On the above basis, the value of the Sale Shares of HK\$200,000,000 represents a premium of approximately 59.1% to the proforma unaudited consolidated net asset value of Telesuccess of approximately HK\$125.7 million as at 31st December, 2003.

The Consideration Shares represent approximately 15.58% of the existing issued share capital of the Company as at the date of this announcement and approximately 13.48% of the enlarged issued share capital of the Company. The issue price of the Consideration Shares of HK\$0.1292 per Share represents:

- (i) a discount of approximately 2.12% to the closing price of the Shares of HK\$0.132 on the Stock Exchange on 25th March, 2004, the last trading day before the suspension of trading of Shares prior to the issue of this announcement;
- (ii) equivalent to the average closing price of Shares of HK\$0.1292 on the Stock Exchange during the period of the last five trading days before the suspension of trading of Shares prior to the issue of this announcement;
- (iii) a premium of approximately 38.92% over the average closing price of Shares of HK\$0.0930 on the Stock Exchange during the period of the last thirty trading days before the suspension of trading of Shares prior to the issue of this announcement; and
- (iv) a premium of approximately 11.38% over the unaudited net tangible assets of the Company of HK\$0.116 per Share as at 30th June, 2003.

#### **Source of funding**

The Group had audited cash balance of approximately HK\$40.9 million and unaudited cash balance of approximately HK\$38.9 million as at 31st December, 2002 and 30th June, 2003, respectively.

The cash portion of the Consideration will be financed by part of the proceeds to be received from Guangdong Properties in respect of the disposal of 51% equity interest in Ample Dragon Limited by the Purchaser to Guangdong Properties completed in December 2002, details of which were set out in the announcement of the Company dated 11th November, 2002 and the circular of the Company dated 13th December, 2002. As far as the Directors are aware, the Vendor, the PRC Party and its ultimate beneficial owners are independent of and not connected with the director, chief executive or substantial shareholder of Guangdong Properties or any of its subsidiaries or an associate of any of them.

As set out below in the section headed "Amendment of payment terms of the Asset Disposal Agreement dated 25th October, 2002", the balance payment of the consideration of the Disposal of HK\$230,000,000 was originally agreed to be satisfied by delivering vacant possession and assigning to the Purchaser and/or its nominees certain completed residential units and car parking spaces of Phase IV Development of Guangzhou Hai Zhu Peninsula Garden.

The construction of Phase IV Development has yet to commence and the completion of the Consideration Units may not be fully completed by June 2005. In addition, the Directors consider that the sale of the vacant possession of Phase IV Development takes time and the Group may not be able to secure ready buyers of such property developments. Accordingly, China Land has entered into a supplemental agreement with Guangdong Properties on 26th March, 2004 that the whole amount of the balance payment of the Disposal of HK\$230,000,000 will be satisfied by cash instead, of which not less than HK\$140,000,000 will be repaid on or before 20th April, 2004 while the remaining balance of HK\$90,000,000 will be repaid on or before 26th January, 2005.

Given the benefits of the Acquisition which would be accrued to the Group as mentioned in the paragraphs headed "Reasons for the Agreement" below, the Directors consider that using the cash proceeds to be received from the Disposal to acquire Telesuccess is in the interests of Shareholders and the Company as a whole.

## Information on Telesuccess and CJV

Telesuccess, a company incorporated in the British Virgin Islands on 12th February, 2002, is currently wholly owned by the Vendor. The sole asset of Telesuccess is its 80.9% equity interest in CJV. The remaining 19.1% interest in CJV is owned by the PRC Party which is mainly responsible for CJV's business in respect of (i) design and development of the infrastructure platform of CJV's internet data center services and online games business; (ii) the recruitment of specialists, technicians and staff in PRC; and (iii) the sourcing of raw materials and equipments in the PRC. Since its incorporation, Telesuccess has not carried out any other business save for its investment in CJV. No audited accounts for Telesuccess have been prepared since its incorporation.

CJV was established in the PRC on 9th May, 1997 as a sino-foreign co-operative joint venture. As at the date of this announcement, CJV had a registered capital of RMB110,000,000 (or approximately HK\$103.8 million). The total investment of CJV was RMB200,000,000 (or approximately HK\$188.7 million). According to the memorandum and articles of association of CJV, the outstanding amount of total investment over the registered capital of RMB90,000,000 (or approximately HK\$84.9 million) will only be funded by the Purchaser if the shareholders of CJV consider that such funding is necessary for the business development of CJV in future. Such funding will be provided by way of a shareholder's loan instead of equity contribution, and therefore there will be no change to the shareholding structure of CJV. In the event that the shareholders of CJV decide to provide further funding to CJV, the Company intends to finance such funding by internal resources of the Group and/or debt financing and/or equity fund raising exercises.

The scope of business of CJV involves the design and installation of communication technology system and related communication network, the provision of up-grading services, technology maintenance, consultation advice, and training of technicians services in relation to the said communication technology system, development of software computer products, integration of computer communication system, development of communication technology, the provision of agency services in relation to telecommunication business and sale of CJV's products.

During previous years, CJV has been focusing on the provision of internet data center services, design and installation of communication technology system and related communication network in the PRC. CJV had developed business partnership with various telecommunication service providers, technology equipment providers and other technique developers.

In 2003, with leveraging on its expertise in providing internet data center services and the business opportunities arisen from the increasing demand of broadband services and online games in the PRC, CJV has been transformed into an integrated service provider to provide integrated service to online game developers and other broadband media providers. In addition, it starts to be engaged in the provision of agency services in relation to telecommunication business. Through the delivery of game data and content to Internet Café, CJV could establish a physical distribution channel for game contents owned by the game developers. By bundling its online game infrastructure platform and distribution channels to the game developers, CJV could benefit from sharing the profits generated by the game developers. In view of the increasing demand for online games in the PRC, CJV is considering to operate Internet Café offering a variety of refreshments, snacks, personal computers with Internet access and a selection of online games in the PRC in 2004, which could allow CJV to achieve a vertical integration among its online game related business.

According to the statutory audit accounts of CJV which are based on the PRC GAAP, CJV has audited net assets value of approximately RMB164.6 million (or approximately HK\$155.3 million) as at 31st December, 2003. For the year ended 31st December, 2003, CJV recorded audited turnover of approximately RMB20.6 million (or approximately HK\$19.4 million), audited profit before tax of approximately RMB5.4 million (or approximately HK\$5.1 million) and audited profit after tax of approximately RMB4.6 million (or approximately HK\$4.4 million). According to the statutory audit accounts of CJV which are based on the PRC GAAP, for the year ended 31st December, 2002, CJV recorded turnover of approximately RMB30.7 million (or approximately HK\$29.0 million), profit before

tax of approximately RMB18.4 million (or approximately HK\$17.4 million) and profit after tax of approximately RMB15.6 million (or approximately HK\$14.7 million). No extraordinary items were recorded for the two years ended 31st December, 2003.

Based on the information provided by the management of CJV, the profit after tax of CJV for the year ended 31st December, 2003 has decreased to RMB4.6 million (or approximately HK\$4.4 million) from RMB15.6 million (or approximately HK\$14.7 million) for the year ended 31st December, 2002 which was mainly due to (i) the decrease in the profit margin of the provision of internet data center services; (ii) CJV was under a transition period to transform into an integrated service provider to provide integrated service to online game developers and other broadband media providers as mentioned above; and (iii) the outbreak of Severe Acute Respiratory Syndrome, in particular, in the PRC.

Based on the audited net assets value of CJV of approximately RMB164.6 million (or approximately HK\$155.3 million) as at 31st December, 2003 as mentioned above, Telesuccess has a pro forma unaudited net assets value of approximately HK\$125.7 million, and based on this figure of net assets value of Telesuccess, the Consideration represents a price book ratio of approximately 1.59. Based on the audited profit of CJV mentioned above, the unaudited profit after tax attributable to Telesuccess for the two years ended 31st December, 2003 were approximately HK\$11.89 million and HK\$3.56 million, the Consideration represents a price earning multiple of approximately 16.8 and 56.2, respectively.

Given the recent improving macroeconomic environment, the continuing economic growth in the PRC, the growth of the internet population in the PRC and the increasing demand for online games in the PRC, the Directors are confident about the future growth prospect of the business of provision of online games infrastructure platform and distribution channels. Based on the above and the exceptional business environment happened on CJV in 2003 as mentioned above, the Directors consider that the relative high price earning multiple and price book ratio represented by the Consideration with reference to the aforesaid unaudited profits and unaudited net assets value of Telesuccess are reasonable.

Upon Completion, CJV will become the 80.9%-owned subsidiary of the Company and its accounts will be consolidated into the accounts of the Company. Upon Completion, the board of directors of CJV will comprise three directors, two of which will be appointed by the Company.

### **Conditions of the Agreement**

The Agreement is conditional upon:

- (a) the passing by Shareholders at a special general meeting to be convened of ordinary resolutions to approve, or the obtaining by means of the written approval by the Shareholders who together hold more than 50% of the issued share capital of the Company of (as the case may be):
  - (i) the Agreement and the Acquisition contemplated hereunder; and
  - (ii) the issue and allotment of the Consideration Shares;
- (b) the Listing Committee of the Stock Exchange granting the listing of and permission to deal in the Consideration Shares;
- (c) the Purchaser being satisfied with the results of the due diligence exercise to be conducted on Telesuccess and CJV;
- (d) the submission by the Vendor at its own expenses to the Purchaser of the PRC legal opinion regarding, amongst other things, CJV's legal status, ownership of shareholding by Telesuccess, business, assets, liabilities and any other matters the Purchaser must be aware of for the Acquisition in form and content satisfactory to the Purchaser;

- (e) Telesuccess has by board resolutions resolved to:
- (i) approve the transfer of the Sale Share to the Purchaser and/or its nominee;
  - (ii) cause all the existing directors of the Vendor's appointment in Telesuccess and CJV, respectively, to resign without compensation or other payment for loss of office;
  - (iii) accept the resignation of the directors of the Vendor's appointment in Telesuccess and procure CJV to accept the resignation of the directors of the Vendor's appointment in CJV;
  - (iv) appoint new directors nominated by the Purchaser to the board of directors of Telesuccess and procure CJV to appoint two new directors nominated by the Purchaser to the board of directors of CJV, respectively; and
  - (v) obtain or procure CJV to obtain a confirmation document issued by the relevant local authority endorsing the changes in CJV's directorship as stated above, if necessary.
- (f) the issue of an unqualified opinion by the reporting accountants of Telesuccess on the consolidated financial statements of Telesuccess for the three financial years ended 31st December, 2003.

In the event that the conditions set out above not being fulfilled or waived by the Purchaser (as regards condition (c) or (d) only) on or before the long stop date of 30th June, 2004, all obligations and liabilities of the parties shall cease and determine and no party shall have any claim against the other in respect thereof or the Acquisition contemplated thereunder; provided that non-fulfilment of any of the conditions is not due to the fault or default of the Purchaser or the Vendor. If the conditions are not complied with or waived by the Purchaser on or before the long stop date of 30th June, 2004 otherwise than due to the fault or default of the Purchaser, the Purchaser may rescind the Agreement and issue proceedings for damages against the Vendor.

## Completion

Completion of the Agreement shall take place within three business days following fulfillment or waiver (as the case may be) of the conditions set out above or such other date (which must be a business day) as mutually agreed by the Vendor and the Purchaser in writing.

## Shareholding structure

The table below sets out the shareholding structure of the Company before the Completion and immediately after the Completion (assuming no other changes in shareholding before then):

	Before Completion		Immediately after the Completion	
	Number of Shares	Percentage	Number of Shares	Percentage
High Rank Enterprises Limited ( <i>Note 1</i> )	1,140,000,000	38.25%	1,140,000,000	33.10%
Morgan Estate Assets Limited ( <i>Note 2</i> )	270,000,000	9.06%	270,000,000	7.84%
On Tai Profits Limited ( <i>Note 3</i> )	270,000,000	9.06%	270,000,000	7.84%
Morcambe Corporation ( <i>Note 4</i> )	270,000,000	9.06%	270,000,000	7.84%
Successful Future Services Limited ( <i>Note 5</i> )	10,000,000	0.34%	10,000,000	0.29%
Vendor	–	–	464,396,284	13.48%
Public	1,020,016,725	34.23%	1,020,016,725	29.61%
	<u>2,980,016,725</u>	<u>100.00%</u>	<u>3,444,413,009</u>	<u>100.00%</u>

*Notes:*

1. Each of Mr. Ho Tsam Hung, Mr. Ho Pak 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, 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, being the executive Directors, is interested in 25% of the issued share capital of Successful Future Services Limited.

**Reasons for the Agreement**

The Group is principally engaged in property investment, provision of online English learning services and provision of exclusive technology consultancy services.

Reference is made to the announcement of Company dated 25th October, 2002 and the circular of the Company dated 13th December, 2002 in relation to the disposal of 51% equity interest of Ample Dragon Limited by the Group. Following completion of the aforesaid transaction in December 2002, the Group's turnover mainly relies on the rental income generated from the commercial podiums located in Chongqing, the PRC and the sale of online English learning courses to individual and corporate customers in the PRC. Exaggerated by the outbreak of Severe Acute Respiratory Syndrome leading to the postponement of its investment plans, in particular, the technology related business, the Group's turnover has decreased to approximately HK\$2.8 million for the six months ended 30th June, 2003 compared with approximately HK\$103.4 million for the corresponding period in 2002. For the six months ended 30th June, 2003, the Group recorded unaudited loss after tax of approximately HK\$15.7 million.

As set out in the interim report of the Company as at 30th June, 2003, given the recent signs of upturn of the economy and with a capacity of free up capital in the Group received from the proceeds of the Disposal, the Group was reviewing new business opportunities in the PRC, in particular, in the technology related sectors.

Given the recent improving macroeconomic environment, the continuing economic growth in the PRC, the growth of the internet population in the PRC and the increasing demand for online games in the PRC, the Directors are confident about the growth of the business of provision of online games infrastructure platform and distribution channels. The Directors consider that the Acquisition provides an opportunity for the Group to diversify its business with a view to broaden its business scope and increase its sources of revenue. Given the profit record of CJV, the Directors consider that the Acquisition will immediately contribute to the results of the Group.

The Directors believe that the Group is in a well equipped position to diversify its business into the provision of online games infrastructure platform and distribution channels based on the following reasons: (i) the Group has experience in the provision of technology consultancy services for the operation of the phone banking payment services in the PRC; (ii) the cooperation with the other shareholder of CJV who has extensive experience and business connection in the technology business; and (iii) CJV has a strong team of technical specialists with expertise in the online games infrastructure platform and distribution business.

Taken into consideration of the aforesaid, the Directors (including independent non-executive Directors) are of the view that the terms of the Agreement are fair and reasonable and are on normal commercial terms and the transactions contemplated under the Agreement are in the interests of the Company and the Shareholders as a whole.

## **Implications under the Listing Rules**

The Acquisition contemplated under the Agreement constitutes a major transaction for the Company pursuant to Rule 14.09 of the Listing Rules and is subject to approval of the Shareholders. No Shareholders are required to abstain from voting.

High Rank Enterprises Limited, Morgan Estate Assets Limited, On Tai Profits Limited, Morcambe Corporation and Successful Future Services Limited, being Shareholders who and their respective ultimate beneficial owners are not interested in the Agreement and together interested in approximately 65.77% of the issued share capital of the Company, have given written consent to the Company to approve the Agreement pursuant to Rule 14.10 of the Listing Rules. The Company has therefore applied a waiver from the Stock Exchange from the requirement to convene a physical shareholders' meeting to approve the Agreement on the basis that approval has been obtained by way of written consent issued by the aforesaid Shareholders.

A circular will be despatched as soon as practicable to the Shareholders containing, among other things, further details of the Agreement, accountants' report on Telesuccess and other financial information of the Group.

## **AMENDMENT OF PAYMENT TERMS OF THE ASSET DISPOSAL AGREEMENT DATED 25TH OCTOBER, 2002**

### **Information on the Asset Disposal Agreement**

Reference is made to the Company's announcement dated 11th November, 2002 and the circular of the Company dated 13th December, 2002 in respect of the Disposal.

China Land (also the Purchaser to the Agreement), a wholly-owned subsidiary of the Company, entered into the Supplemental Agreement with Guangdong Properties to supplement the Asset Disposal Agreement dated 25th October, 2002 entered into by and between China Land as seller and Guangdong Properties as purchaser relating to the disposal by China Land of 51% of the entire issued share capital of Ample Dragon Limited.

### **Supplemental Agreement dated 26th March, 2004**

#### *Parties of the Supplemental Agreement:*

China Land and Guangdong Properties

#### *Details of the Supplemental Agreement:*

China Land as seller and Guangdong Properties as purchaser entered into the Asset Disposal Agreement dated 25th October, 2002 relating to the disposal by China Land of 51% of the entire issued share capital of Ample Dragon Limited for a total consideration of HK\$350 million, including HK\$120 million in cash and the receiving of the Consideration Units by China Land with the valuation of no less than HK\$230 million. The Disposal constituted a major transaction for the Company under the Listing Rules at that time. Guangdong Properties had as at the date of this announcement paid up to HK\$120 million to China Land pursuant to the terms and subject to the conditions of Asset Disposal Agreement.



After arm's length negotiations between the parties, China Land and Guangdong Properties agreed that the balance of the consideration of HK\$230 million, instead of being satisfied by GZ Dongxun delivering vacant possession and assigning to China Land and/or its nominee a total gross floor area of 23,000 square metres of completed units of Phase IV Development, shall be satisfied by Guangdong Properties paying to China Land HK\$230,000,000 (or such equivalent amount in any other currency) in cash pursuant to the terms of the Supplemental Agreement in the following manner:

- (a) not less than HK\$140,000,000 (or such equivalent amount in any other currency, with the exchange rate to be agreed by China Land and Guangdong Properties) to be paid on or before 20th April, 2004;
- (b) the balance thereof (or such equivalent amount in any other currency, with the exchange rate to be agreed by China Land and Guangdong Properties) to be paid on or before 26th January, 2005.

### **Reasons for entering into the Supplemental Agreement**

The construction of Phase IV Development has yet to commence and the completion of the Consideration Units may not be fully completed by June 2005. In addition, the Directors consider that the sale of the vacant possession of Phase IV Development takes time and the Group may not be able to secure ready buyers of such property developments. The receipt of cash balance in lieu of Consideration Units to be delivered, the latest in mid-2005, could allow the Group to realize its investment in property development in cash in a short period of time before end of January 2005. Part of the balance of consideration to be received by the Group will be used in payment of consideration in the Acquisition as mentioned in paragraphs headed "Source of funding" above. The cash payment of HK\$230 million by Guangdong Properties in lieu of delivery by it of the Consideration Units translates into a price of HK\$10,000 per square metre of the Consideration Units. The Directors have agreed to the terms of the Supplemental Agreement after taking into consideration the current property prices in area nearby the Consideration Units. The Directors are of the view that the terms of the Supplemental Agreement including the cash payment of HK\$230 million are fair and reasonable so far as the Shareholders are concerned.

The information in relation to Supplemental Agreement contained in this announcement is made pursuant to paragraph 2 of the Listing Agreement, save and except for information as disclosed in this announcement, the Company is not aware of, as at the date hereof, any other information which needs to be disclosed under paragraph 2 of the Listing Agreement.

### **GENERAL**

As at the date of this announcement, the board of Directors comprises Mr. Ho Tsam Hung, Mr. Ho Pak Hung and Mr. Ho Kam Hung who are executive Directors, and Mr. Zhang Jie and Mr. Young Kwok Sui who are independent non-executive Directors.

### **SUSPENSION AND RESUMPTION OF TRADING**

Trading in the Shares has been suspended at the request of the Company with effect from 9:30 a.m. on 26th March, 2004 pending the release of this announcement. Application has been made to the Stock Exchange for the resumption of trading in the Shares with effect from 9:30 a.m. on 2nd April, 2004.

### **DEFINITIONS**

- |               |  |
|---------------|--|
| "Acquisition" | the acquisition of Sale Shares by the Purchaser from the Vendor pursuant to the Agreement  |
| "Agreement"   | the agreement dated 26th March, 2004 entered into between the Vendor and the Purchaser in relation to the acquisition of the Sale Shares |

“Asset Disposal Agreement”	the sale and purchase agreement dated 25th October, 2002 entered into between China Land and Guangdong Properties in relation to the Disposal, details of which were set out in the announcement of the Company dated 11th November, 2002
“associates”	has the meaning given to it in the Listing Rules
“CJV”	廣州天城網絡通訊有限公司 (GuangZhou Sky City Network Communication Ltd.), a sino-foreign co-operative joint venture established in the PRC on 9th May, 1997
“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 Agreement
“Consideration”	HK\$200,000,000, being the consideration payable for the sale and purchase of the Sale Shares pursuant to the Agreement
“Consideration Shares”	464,396,284 new Shares to be allotted and issued credited as fully paid at HK\$0.1292 per Share to the Vendor to satisfy in part the consideration for the acquisition of Sale Shares
“Consideration Units”	a total gross floor area of 23,000 square metres of completed units (including completed residential units and car-parking spaces) of Phase IV Development subject to adjustment (if any) in accordance with the terms of the Asset Disposal Agreement, which has an estimated value of no less than HK\$230 million
“Directors”	directors of the Company
“Disposal”	the disposal by the Purchaser of 51% equity interest in Ample Dragon Limited to Guangdong Properties completed in December 2002, details of which were set out in the announcement of the Company dated 11th November, 2002
“GAAP”	generally accepted accounting principles
“Group”	the Company and its subsidiaries
“Guangdong Properties”	Guangdong Properties Investment Ltd., a company incorporated in the British Virgin Islands
“GZ Dongxun”	Guangzhou Dongxun Real Estate Development Company Limited, a limited company established under the PRC laws as a sino-foreign co-operative joint venture enterprise
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Internet Café”	a café providing a variety of refreshments, snacks, personal computers with internet access and a selection of online games
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“Phase IV Development”	Phase IV development of property development project known as Guangzhou Hai Zhu Peninsula Garden which will comprise three residential buildings and underground private car-parking spaces.
“PRC”	the People’s Republic of China and for the purpose of this announcement, shall exclude Hong Kong and the Macau Special Administrative Region and Taiwan.
“PRC Party”	the joint venture partner of Telesuccess in CJV, a PRC party owning the remaining 19.1% interest in CJV and is an independent third party not connected to the directors, chief executive or substantial shareholders of the Company and its subsidiaries or any of their respective associates
“Purchaser” or “China Land”	China Land Realty Investment (BVI) Limited, a company incorporated in British Virgin Islands which is a wholly-owned subsidiary of the Company
“Sale Share”	the one share of US\$1.00 in the capital of Telesuccess, being its entire issued share capital
“Share(s)”	ordinary share(s) of HK\$0.02 each in the capital of the Company
“Shareholders”	holders of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supplemental Agreement”	a supplemental agreement dated 26th March, 2004 entered into between China Land and Guangdong Properties regarding the amendment of payment terms of the balance of the consideration of HK\$230 million of the Disposal
“Telesuccess”	Telesuccess International Limited, a company incorporated in the British Virgin Islands on 12th February, 2002
“Vendor” or “Mr. Man”	Mr. Man O Fu, the vendor to the Agreement
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent.

*Amounts denominated in RMB in this announcement has been converted into HK\$ at a rate of RMB1.06 = HK\$1.0 for illustration purposes.*

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

Hong Kong, 1st April, 2004

\* *for identification purpose only*

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