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ZHONG HUA INTERNATIONAL HOLDINGS LIMITED

中華國際控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 1064)

PLACING OF NEW SHARES

The Directors announce that the Company had on 1st November, 2004 entered into a Placing Agreement, pursuant to which the Company agreed conditionally to issue a total of 475,000,000 Placing Shares to the Placee at a Placing Price of HK\$0.09 each. Completion of the Placing Agreement is conditional upon the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Placing Shares.

The Placing Shares represent approximately 13.79% of the Company's existing issued share capital and approximately 12.12% of the Company's issued share capital as enlarged by the Placing Shares.

The estimated net proceeds from the Placing are estimated to be about HK\$42.5 million, of which HK\$37.5 million will be used to further develop the Company's online games business (including the provision of online games infrastructure platform) operating in the PRC and the remaining balance of HK\$5 million will be used as the Group's general working capital.

At the request of the Company, trading in the Shares on the Stock Exchange was suspended as from 9:30 a.m. on Tuesday, 2nd November, 2004 pending release of this announcement. Application has been made by the Company for the resumption of trading in the Shares with effect from 9:30 a.m. on Wednesday, 3rd November, 2004.

The Board announces that the Company had on 1st November, 2004 entered into the Placing Agreement with the Placee, pursuant to which the Company conditionally agreed to issue a total of 475,000,000 Placing Shares at a price of HK\$0.09 each to the Placee.

1. THE PLACING AGREEMENT DATED 1ST NOVEMBER, 2004

1.1 Parties to the Placing Agreement

Issuer: The Company
Placee: Cheer Faith Limited

Each of the Placee and its ultimate beneficial owner namely Mr. Tso Hon Sai Bosco is not a connected person of the Company and is independent of and not connected with the directors, chief executive or substantial shareholders of the Company or its subsidiaries, or any of their respective associates, as defined in the Listing Rules. As at the date of this announcement, each of the Placee and its ultimate beneficial owner does not have any interest in the Shares.

1.2 Number of Placing Shares

475,000,000 Shares, representing approximately 13.79% of the Company's existing issued share capital and approximately 12.12% of the Company's issued share capital as enlarged by the Placing Shares.

1.3 Placing Price

HK\$0.09 per Placing Share:

- (i) equals the closing price of HK\$0.09 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) represents a premium of approximately 0.45% over the average closing price of HK\$0.0896 per Share for the last 5 consecutive trading days up to and including the Last Trading Day; and
- (iii) represents a discount of approximately 1.21% to the average closing price of HK\$0.0911 per Share for the last 10 consecutive trading days up to and including the Last Trading Day.

The aggregate Placing Price for the Placing Shares of HK\$42,750,000 will be paid to the Company upon Completion.

The terms of the Placing Agreement, including the Placing Price, were determined after arm's length negotiations between the Company and the Placee. The Board considers that the terms of the Placing Agreement, including the Placing Price, are fair and reasonable and in the best interests of the Company and the Shareholders as a whole.

1.4 Condition of the Placing

Completion of the Placing Agreement is conditional upon the Listing Committee of the Stock Exchange granting the listing of and permission to deal in the Placing Shares on or before 5:00 p.m. on 15th November, 2004 (or such later time and/or date as may be agreed by the parties to the Placing Agreement).

1.5 Completion

Completion of the Placing Agreement will take place on or before 4:00 p.m. on the Completion Date or at such other time on the Completion Date as the Placee and the Company may agree.

In the event that the condition is not fulfilled on 15th November, 2004 (or such later time and/or date as may be agreed by the parties to the Placing Agreement in writing), all rights, obligations and liabilities of the parties shall cease and terminate and neither of the parties shall have any claim against the other save for any antecedent breach.

1.6 Rights of the Placing Shares

The Placing Shares, when fully paid and issued, will rank pari passu in all respects amongst themselves and with the existing Shares in issue and be entitled to receive all dividends and other distributions thereafter declared, made or paid.

2. GENERAL MANDATE

The Placing Shares will be issued under the general mandate granted to the Board by the Shareholders at the annual general meeting of the Company held on 16th June, 2004.

3. APPLICATION FOR LISTING

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Placing Shares.

4. SHAREHOLDING OF THE COMPANY

The table below sets out the Company's existing shareholding structure and the shareholding structure after Completion:

Shareholders	Existing		Immediately after Completion	
	Number of Shares	%	Number of Shares	%
High Rank Enterprises Limited (<i>Note 1</i>)	983,000,000	28.54%	983,000,000	25.08%
Morgan Estate Assets Limited (<i>Note 2</i>)	270,000,000	7.84%	270,000,000	6.89%
On Tai Profits Limited (<i>Note 3</i>)	270,000,000	7.84%	270,000,000	6.89%
Morcambe Corporation (<i>Note 4</i>)	270,000,000	7.84%	270,000,000	6.89%
Successful Future Services Limited (<i>Note 5</i>)	10,000,000	0.29%	10,000,000	0.25%
Mr. Man O Fu (<i>Note 6</i>)	359,936,284	10.45%	359,936,284	9.18%
The Placee	–	–	475,000,000	12.12%
Other public Shareholders	1,281,476,725	37.20%	1,281,476,725	32.70%
Total	3,444,413,009	100.00%	3,919,413,009	100.00%

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.
6. After Completion, the shareholding of Mr. Man O Fu will be diluted to 9.18% and therefore will not be regarded as a substantial shareholder of the Company as defined in the Listing Rules.

5. REASONS FOR THE PLACING AND USE OF NET PROCEEDS

The estimated net proceeds from the Placing are estimated to be about HK\$42.5 million, of which HK\$37.5 million will be used to further develop the Company's online games business (including the provision of online games infrastructure platform) operating in the PRC and the remaining balance of HK\$5 million will be used as the Group's general working capital.

The Board is of the view that the Placing represents a good opportunity to raise additional funds for the Group's business development purpose and at the same time broaden the Company's shareholder base and strength its capital base.

6. FUND RAISING IN THE PAST TWELVE MONTHS

During the 12 months prior to the date of this announcement, the Company had on 16th July, 2004 entered into a subscription agreement with CNCBE as the subscriber in relation to the subscription of a convertible bond issued by the Company with a principal amount of HK\$30 million. Assuming full conversion of the convertible bond at the initial conversion price of HK\$0.15 per Share (subject to adjustment from time to time), 200,000,000 new Shares will be issued by the Company. Details of the issue of the convertible bond were set out in the Announcement.

As mentioned in the Announcement, it is intended that the net proceeds from the issue of the convertible bond of approximately HK\$29.85 million will be used to finance the Company's online games business (including but not limiting to the provisions of online games infrastructure platform and distribution channels) operating in the PRC. The entire amount was used as intended as described in the Announcement.

7. SUSPENSION AND RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange was suspended as from 9:30 a.m. on Tuesday, 2nd November, 2004 pending the release of this announcement. Application has been made by the Company for the resumption of trading in the Shares with effect from 9:30 a.m. on Wednesday, 3rd November, 2004.

8. GENERAL

The Group is principally engaged in property investment, leasing of point-of-sale equipment and the provision of telecommunication and other related services in the PRC.

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

TERMS USED IN THE ANNOUNCEMENT

In this announcement, unless the context otherwise requires, the following terms shall have the following meaning:

“Announcement”	the announcement of the Company dated 19th July, 2004 in relation to the issue of a convertible bond with principal amount of HK\$30 million to CNCBE
“Board”	the board of Directors

“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 Placing
“Completion Date”	the third business day after the date of fulfillment of the condition or such other date as may be agreed amongst the parties to the Placing Agreement
“CNCBE”	CNC Broadband Entertainment Corporation Limited, a company incorporated in Hong Kong with limited liability and the holder of a convertible bond of the Company with a principal amount of HK\$30 million, details of which are set out in the Announcement
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Last Trading Day”	1st November, 2004, being the last trading day of the Shares prior to the suspension of trading in the Shares on 2nd November, 2004 pending the release of this announcement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Placee”	Cheer Faith Limited
“Placing”	the placing of the Placing Shares to the Placee pursuant to the Placing Agreement
“Placing Agreement”	the placing agreement dated 1st November, 2004 entered into between the Company and the Placee in relation to the Placing
“Placing Price”	HK\$0.09 per Placing Share
“Placing Shares”	475,000,000 new Shares to be subscribed by the Placee pursuant to the Placing Agreement
“PRC”	the People’s Republic of China
“Share(s)”	ordinary share(s) of HK\$0.02 each in the capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“HK\$”	Hong Kong dollar(s)

“%”

per cent.

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

Hong Kong, 2nd November, 2004

* *for identification purpose only*

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