
THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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 stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold all your shares in Zhong Hua International Holdings Limited, you should at once hand this circular to the purchaser or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser.

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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)

**SUBDIVISION OF SHARES
CHANGE IN BOARD LOT SIZE FOR TRADING**

A letter from the Chairman is set out on pages 1 to 4 of this circular.

A notice convening a special general meeting of Zhong Hua International Holdings Limited to be held at Suite 3302-3304, One International Finance Centre, 1 Harbour View Street, Central, Hong Kong at 11:30 a.m. on 8th August, 2001 is set out on page 9 of this circular. Whether or not you are able to attend, please complete and return the enclosed form of proxy in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the meeting. Completion and return of the form of proxy will not preclude you from attending and voting at the meeting should you so wish.

17th July, 2001

* For identification purpose only

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DEFINITIONS

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

“CCASS”	the Central Clearing and Settlement System established and operated by Hongkong Clearing
“Change In Board Lot Size”	the change in board lot size of Shares for trading from 2,000 Shares to 10,000 Subdivided Shares
“Company”	Zhong Hua International Holdings Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Stock Exchange
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“Hongkong Clearing”	Hong Kong Securities Clearing Company Limited
“Latest Practicable Date”	16th July, 2001, being the latest practicable date prior to be printing of this circular for ascertaining certain information in this circular
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China
“Proposal”	the Subdivision and the Change In Board Lot Size
“Registrars”	the registrars keeping the Company’s branch register in Hong Kong and who are Tengis Limited, 4th Floor, Hutchison House, 10 Harcourt Road, Central, Hong Kong
“SDI Ordinance”	the Securities (Disclosure of Interest) Ordinance (Chapter 396 of the Laws of Hong Kong)
“SGM”	the special general meeting of Zhong Hua International Holdings Limited to be held at Suites 3302-3304, One International Finance Centre, 1 Harbour View Street, Central, Hong Kong, on 8th August, 2001 at 11:30 a.m.
“Share(s)”	fully paid ordinary share(s) of \$0.10 each in the existing capital of the Company

DEFINITIONS

“Shareholder(s)”	holder(s) of Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subdivision”	the proposed subdivision of each of the existing issued and unissued shares of \$0.10 each in the capital of the Company into five shares of \$0.02 each
“Subdivided Shares”	on completion of the Subdivision, the ordinary shares of \$0.02 each in the capital of the Company
“\$” and “cent”	Hong Kong dollars and cents, respectively

EXPECTED TIMETABLE

2001

Latest time for return of form of proxy in respect of the SGM	11:30 a.m. on Monday, 6th August
SGM	11:30 a.m. on Wednesday, 8th August
Effective date of Subdivision and Change In Board Lot Size	on Thursday, 9th August
Original counter for trading in existing Shares in board lots of 2,000 Shares temporarily closes	10:00 a.m. on Thursday, 9th August
Temporary counter for trading in board lots of 10,000 Subdivided Shares (in the form of existing share certificates) opens	10:00 a.m. on Thursday, 9th August
First day of free exchange of certificates for existing Shares for new share certificates for the Subdivided Shares	on Thursday, 9th August
Original counter for trading in Subdivided Shares in board lots of 10,000 Subdivided Shares (only new share certificates for the Subdivided Shares can be traded at this counter) reopens	10:00 a.m. on Thursday, 23rd August
Parallel trading in Subdivided Shares (in the form of new certificates for Subdivided Shares and certificates for existing Shares) commences	10:00 a.m. on Thursday, 23rd August
Temporary counter for trading in the board lots of 10,000 Subdivided Shares (in the form of existing share certificates) ends	4:00 p.m. on Thursday, 13th September
Parallel trading in Subdivided Shares (in the form of new certificates for Subdivided Shares and certificates for existing Shares) ends	4:00 p.m. on Thursday, 13th September
Last day for free exchange of certificates for existing Shares for new certificates for Subdivided Shares	4:00 p.m. on Thursday, 20th September



ZHONG HUA INTERNATIONAL HOLDINGS LIMITED

中 華 國 際 控 股 有 限 公 司 *

(Incorporated in Bermuda with limited liability)

Chairman

Ho Tsam Hung

Deputy Chairman

Ho Pak Hung

Managing Director

Ho Kam Hung

Director

Lam Ling Tak

Non-Executive Directors

Tsao Kwong Yung, Peter*

Kwok Lam Kwong, Larry*

Chan Chiu Kwok, Charles*

Registered Office

Clarendon House,

2 Church Street,

Hamilton HM 11

Bermuda

Head Office and

Principal Place of Business

Suites 3302-3304,

One International Finance Centre,

1 Harbour View Street,

Hong Kong

* *Independent non-executive directors*

17th July, 2001

To Shareholders

Dear Sir or Madam

**PROPOSAL FOR SUBDIVISION OF SHARES
CHANGE IN BOARD LOT SIZE FOR TRADING**

INTRODUCTION

The Directors propose that (i) each of the existing issued and unissued Shares of \$0.10 each will be subdivided into five Subdivided Shares of \$0.02 each and (ii) each board lot size of shares be increased from 2,000 Shares to 10,000 Subdivided Shares. The Subdivision will become effective upon the fulfilment of the conditions set out below. As at the Latest Practicable Date, the authorised share capital of the Company was \$120,000,000 divided into 1,200,000,000 Shares, of which 596,004,000 Shares were in issue. Immediately following the completion of the Subdivision and assuming no new Shares are issued after the Latest Practicable Date, 2,980,020,000 Subdivided Shares will be in issue. The authorised share capital of the Company will remain unchanged at \$120,000,000 divided into 6,000,000,000 Subdivided Shares of \$0.02 each after the Subdivision.

The Proposal is subject to fulfilment of the following conditions:

- (a) the passing of an ordinary resolution by the Shareholders at the SGM; and

LETTER FROM THE BOARD

- (b) the Listing Committee of the Stock Exchange granting the listing of and permission to deal in the Subdivided Shares.

The Directors consider that the Proposal should improve the liquidity of the trading in the Shares and widen the investors base.

ARRANGEMENTS FOR TRADING AND EXCHANGE OF SHARE CERTIFICATES

Trading

Currently, existing Shares are traded in board lots of 2,000 Shares, and will continue to be so traded up to and including 8th August, 2001 (or such later date as may be notified to Shareholders).

After the Subdivision has become effective from 9th August, 2001 (or such later date as may be notified to Shareholders) and until the expiry of the parallel trading period mentioned below (which is expected to be 13th September, 2001) and for the purposes of trading in the existing Shares, references in share certificates to Shares shall be construed so that each existing Share will be deemed to be five Subdivided Shares. Accordingly, every existing certificate for a number of Shares will be deemed to be a certificate for five times that number of Subdivided Shares of \$0.02 each. For example, a share certificate for an existing board lot of 2,000 Shares will be deemed to be a certificate for 10,000 Subdivided Shares of \$0.02 each.

The Subdivided Shares will be traded in board lots of 10,000 Subdivided Shares (in the form of existing certificates for Shares) from 9th August, 2001 to 13th September, 2001 or in board lots of 10,000 Subdivided Shares (in the form of new certificates) from 23rd August, 2001 onwards. So far as is possible, certificates for Subdivided Shares will be issued in board lots of 10,000 Shares. The Directors consider that the revised board lot size will be beneficial to the Shareholders after considering the transaction costs and the liquidity of the Subdivided Shares.

As no odd-lots of Subdivided Shares will arise as a result of the Share Subdivision, no special arrangement will be made in relation thereto.

Application has been made to the Listing Committee of the Stock Exchange for the listing of and permission to deal in the Subdivided Shares and, subject to this being granted and the passing of an ordinary resolution at the SGM, it is proposed that:

1. From Thursday, 9th August, 2001 (the first day of dealing following the date on which the resolution set out in the notice of SGM on page 9 of this circular is expected to be passed), the original counter for trading in Shares in board lots of 2,000 Shares will be removed and a temporary counter will be established for trading in the Subdivided Shares in board lots of 10,000 Subdivided Shares (in the form of existing certificates for Shares). Certificates for \$0.10 nominal value shares can be traded only at this counter.
2. With effect from 23rd August, 2001, the original counter for trading will be reopened and will become a counter for trading in the Subdivided Shares in board lots of 10,000 Subdivided Shares. Only new share certificates denominated in \$0.02 nominal value can be traded at this counter.
3. From 23rd August, 2001 to 13th September, 2001 inclusive, parallel trading will be permitted at the above two counters.

LETTER FROM THE BOARD

4. The temporary counter for trading in share certificates in board lots of 10,000 Subdivided Shares will be removed after the close of trading hours on 13th September, 2001. Thereafter, trading will be in board lots of 10,000 Subdivided Shares only and certificates for Shares of \$0.10 nominal value will cease to be marketable and will not be acceptable for dealing purposes. However, such certificates will continue to be good evidence of legal title and may be lodged with the Registrars in exchange for Subdivided Shares at any time at a charge.

The Subdivided Shares are not listed or dealt in, and no listing of or permission to deal in the Subdivided Shares is being, or is proposed to be, sought on any stock exchange other than the Stock Exchange. Dealings in the Subdivided Shares will be subject to Hong Kong stamp duty.

Action to be taken

Subject to the passing of the resolution at the abovementioned SGM and the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Subdivided Shares, Shareholders are requested to lodge the relevant share certificates with the Registrars as soon as possible on or after 9th August, 2001.

If the relevant share certificates are lodged with the Registrars on or before 4:00 p.m. on 20th September, 2001, new share certificates for the Subdivided Shares will be issued to Shareholders free of charge. Unless otherwise instructed, new share certificates will be issued in board lots of 10,000 Subdivided Shares.

Shareholders should note that after 13th September, 2001, it will not be possible to deal in the existing Shares on the basis of certificates denominated in \$0.10 nominal value and that unless the relevant existing share certificates are received by 4:00 p.m. on 20th September, 2001, the usual charge of \$2.50 (or such higher amount as may from time to time be allowed by the Stock Exchange) will be made on the higher of the following:

- (i) the number of new share certificates for the Subdivided Shares issued; or
- (ii) the number of certificates for existing Shares cancelled.

It is expected that new share certificates will be available for collection normally within a period of 10 business days after the date of submission of certificates for existing Shares to the Registrars for exchange. If Shareholders are able to lodge their certificates of existing Shares with the Registrars during normal business hours on 9th August, 2001, new share certificates will be available for collection during normal business hours on 23rd August, 2001. New share certificates for Subdivided Shares will be issued in the color of purple to distinguish from the existing share certificates of red in color and the color of the Company's logo shall remain unchanged.

SPECIAL GENERAL MEETING

You will find set out on page 9 of this circular a notice convening the SGM for the purpose of considering and, if thought fit, passing a resolution to approve the proposed Subdivision.

LETTER FROM THE BOARD

A proxy form for the SGM is enclosed. If you are unable to attend the meeting, you are requested to complete and return the proxy form to the Company's branch share registrar in Hong Kong, Tengis Limited at 4th Floor, Hutchison House, 10 Harcourt Road, Central, Hong Kong not less than 48 hours before the time appointed for holding the SGM. Completion and return of the form of proxy will not preclude you from attending and voting at the meeting should you so wish.

LISTING AND DEALINGS

The Subdivided Shares will continue to be listed on the Stock Exchange after implementation of the Subdivision. Application has been made to the Listing Committee of the Stock Exchange for the listing of and permission to deal in the Subdivided Shares. Dealings in the Subdivided Shares are conditional on the Listing Committee of the Stock Exchange granting a listing of and permission to deal in such Subdivided Shares.

Subject to the granting of listing of, and permission to deal in the Subdivided Shares on the Stock Exchange, the Subdivided Shares will be accepted as eligible securities by Hongkong Clearing for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Subdivided Shares on the Stock Exchange or such other date as determined by Hongkong Clearing. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

RECOMMENDATIONS

After taking into account of the reason for the Subdivision, the Directors are of the opinion that the Subdivision is in the interests of the Company and its Shareholders as a whole.

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendix of this Circular.

Yours faithfully,
For and on behalf of the Board
Zhong Hua International Holdings Limited
Ho Tsam Hung
Chairman

GENERAL INFORMATION

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable inquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading.

2. DIRECTORS' INTERESTS

(a) Interests of Directors

Save as disclosed herein, as at the Latest Practicable Date, the interests of the Directors and the Company's chief executive in the share capital of the Company or any of its associated corporations (within the meaning of the SDI Ordinance (Chapter 396 of the laws of Hong Kong) which have been notified to the Company and the Stock Exchange pursuant to section 28 of the SDI Ordinance (including interests which they are deemed or taken to have under Section 31 of, Part I of the Schedule to the SDI Ordinance) or which are required, pursuant to Section 29 of the SDI Ordinance, to be entered in the register referred to therein or which are required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, to be notified to the Company and the Stock Exchange were as follows:

(i) Shares in the Company

Company Concerned	Name of Director	Nature of Interests	Number of Shares
The Company	HO Tsam Hung	Corporate (Note 1)	54,000,000
	HO Pak Hung	Corporate (Note 2)	54,000,000
	HO Kam Hung	Corporate (Note 3)	54,000,000
	LAM Ling Tak	Corporate (Note 4)	19,147,676

Notes:

- (1) 54,000,000 Shares were beneficially held by Ho Tsam Hung through Morgan Estate Assets Limited.
- (2) 54,000,000 Shares were beneficially held by Ho Pak Hung through On Tai Profits Limited.
- (3) 54,000,000 Shares were beneficially held by Ho Kam Hung through Morcambe Corporation.
- (4) 19,147,676 Shares were beneficially held by Lam Ling Tak through Tasman Treasure Profits Limited.

GENERAL INFORMATION

(ii) *Shares in associated corporations of the Company*

At the Latest Practicable Date, the following Directors of the Company had interests in the number of non-voting deferred shares in the Company's subsidiaries:

(aa) Interests in the number of non-voting deferred shares of Powerex Investment Limited

Name of Director	Personal Interests	Corporate Interests	Total
Ho Tsam Hung	91	9,997*	10,088
Ho Pak Hung	91	9,997*	10,088
Ho Kam Hung	91	9,997*	10,088
Lam Ling Tak	27	9,997*	10,024

* These non-voting deferred shares were held by Smart Hero Investment Limited, whose entire issued share capital of 10,000,000 shares were held by Shun Fat (Holdings) Limited ("Shun Fat") as to 9,986,667 shares, Ho Tsam Hung as to 3,334 shares and Ho Pak Hung, Ho Kam Hung and Lam Ling Tak as to 3,333 shares each. Shun Fat was held equally by Ho Tsam Hung, Ho Pak Hung, Ho Kam Hung and Lam Ling Tak.

(bb) Interests in the number of non-voting deferred shares of Dongxum Real Estate Development Company Limited

Name of Director	Personal Interests	Total
Ho Tsam Hung	91	91
Ho Pak Hung	91	91
Ho Kam Hung	91	91
Lam Ling Tak	27	27

(cc) Interests in the number of non-voting deferred shares of Smart Hero (Holdings) Limited

Name of Director	Personal Interests	Total
Ho Tsam Hung	91	91
Ho Pak Hung	91	91
Ho Kam Hung	91	91
Lam Ling Tak	27	27

(dd) Interests in the number of non-voting deferred shares of China Land Realty Investment Limited

Name of Director	Personal Interests	Total
Ho Tsam Hung	91	91
Ho Pak Hung	91	91
Ho Kam Hung	91	91
Lam Ling Tak	27	27

GENERAL INFORMATION

Save as disclosed herein:

- (i) none of the Directors or the chief executive of the Company has, or deemed to have, an interest in any Shares in or debentures of the Company or any of its associated corporation (within the meaning of the SDI Ordinance) which is required to be notified to the Company and the Stock Exchange pursuant to section 28 of the SDI Ordinance (including interests which he is deemed or taken to have under section 31 or Part I of the Schedule to the SDI Ordinance) or which is required, pursuant to section 29 of the SDI Ordinance, to be entered in the register referred to therein or which is required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, to be notified to the Company and the Stock Exchange;
- (ii) none of the Directors is materially interested in any contract or arrangement subsisting at the date of this circular which is significant in relation to the business of the Group taken as a whole; and;
- (iii) none of the Directors has any director indirect interest in any assets which have been, since 31st December, 2000 (being the date to which the latest published audited accounts of the Company were made up), acquired or disposed of by or leased to any member of the Group, or which are proposed to be acquired or disposed of by or leased to any member of the Group.

(b) Interests of substantial shareholders

As at the Latest Practicable Date, the following interests of 10% or more of the share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 16(1) of the SDI Ordinance:

Name of Substantial Shareholder	Number of Shares	Percentage of Issued Share Capital
High Rank Enterprises Limited	228,000,000	38.25%

According to the register of interests kept by the Company under Section 16(1) of the SDI Ordinance and so far as is known to the Directors of the Company other than the interests disclosed herein, there are no other persons (other than a Director or chief executive of the Company) who, as at the Latest Practicable Date were, directly or indirectly, beneficially interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any member of the Group or in any options in respect of such capital.

3. SERVICE CONTRACTS

None of the Directors has entered or is proposing to enter into a service contract with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

GENERAL INFORMATION

4. LITIGATION

As at the Latest Practicable Date, there are no litigation or claims of material importance pending or threatened against any member of the Group.

5. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the memorandum of association and bye-laws of Zhong Hua International Holdings Limited are available for inspection during normal business hours at the head office and principal place of business of the Company in Hong Kong at Suites 3302-3304, One International Finance Centre, 1 Harbour View Street, Central, Hong Kong, up to and including 3rd August, 2001.

6. MISCELLANEOUS

- (a) The secretary of the Company is Ms. Carrie Bernadette Ho. Ms. Ho is a member of both the Hong Kong Society of Accountants and the Australian Society of Certified Practising Accountants.
- (b) The branch share registrar and transfer office of the Company in Hong Kong is Tengis Limited, 4th Floor, Hutchison House, 10 Harcourt Road, Central, Hong Kong
- (c) The English text of this circular shall prevail over the Chinese text.

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)

NOTICE is hereby given that an Special General Meeting of Zhong Hua International Holdings Limited (the “Company”) will be held at Suites 3302-3304, One International Finance Centre, 1 Harbour View Street, Central, Hong Kong on 8th August, 2001 at 11:30 a.m. for the purpose of considering and, if thought fit, passing the following resolution:

Ordinary resolution

“THAT subject to and conditional upon the Listing Committee of The Stock Exchange of Hong Kong Limited granting the listing of, and permission to deal in, the subdivided shares of HK\$0.02 each in the share capital of the Company, every share of HK\$0.10 in the issued and unissued share capital of the Company be subdivided into five shares of HK\$0.02 each with effect from 9th August, 2001.”

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

17th July, 2001

Head office and principal

place of business:

Suites 3302-3304

One International Finance Centre

1 Harbour View Street

Central, Hong Kong

Notes:

1. Any member entitled to attend and vote at the meeting shall be entitled to appoint another person as his proxy to attend and vote instead of him. A proxy need not be a member of the Company.
2. In order to be valid, the form of proxy, together with the power of attorney or other authority (if any) under which it is signed or a certified copy of such power or authority, must be deposited at the Company’s branch share registrar in Hong Kong, Tengis Limited at 4th Floor, Hutchison House, 10 Harcourt Road, Central, Hong Kong not later than 48 hours before the time appointed for holding the meeting or any adjournment thereof. Completion and return of the proxy will not preclude a member from attending and voting in person.

* *For identification purpose only*