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



ZHONG HUA INTERNATIONAL HOLDINGS LIMITED

中華國際控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 1064)

Executive Directors:

HO Tsam Hung (*Chairman*)

HO Pak Hung (*Deputy Chairman*)

HO Kam Hung (*Managing Director*)

Independent Non-executive Directors:

NG Kin Sun

YOUNG Kwok Sui

ZHANG Jie

Registered office:

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

*Head office and principal
place of business:*

Unit 6307, 63/F.

The Center

99 Queen's Road Central

Hong Kong

To the shareholders of the Company

29 April 2005

Dear Sir or Madam,

**PROPOSED RE-ELECTION OF DIRECTORS
AND
GENERAL MANDATE TO ISSUE AND REPURCHASE SHARES**

1. INTRODUCTION

At the forthcoming annual general meeting of Zhong Hua International Holdings Limited (the "Company") to be held at The Park Lane Hong Kong, Casablanca Room, 27th Floor, 310 Gloucester Road, Hong Kong, at 11:30 a.m. on Friday, 3 June 2005 (the "Annual General

* *For identification only*

Meeting”), it will be proposed that (i) ordinary resolutions relating to re-election of the directors of the Company (the “Directors”) who will retire in accordance with the Company’s bye-laws, and (ii) ordinary resolutions relating to general mandates be given to the Directors to exercise all the powers of the Company to repurchase issued and fully paid shares of HK\$0.02 each in the capital of the Company (the “Shares”) up to a maximum of 10 per cent. of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing of the relevant resolution and to issue new Shares and to increase the number of Shares which the Directors may issue under the general mandate by adding the aggregate nominal amount of the Shares repurchased.

The purpose of this circular is to provide you with information relating to the resolutions proposed at the Annual General Meeting.

2. RE-ELECTION OF DIRECTORS

In accordance with the Company’s Bye-laws, Mr. Ng Kin Sun who was appointed as Independent Non-executive Director of the Company during the year will hold office until the Annual General Meeting of the Company and being eligible for re-election at the Annual General Meeting.

In accordance with the Company’s Bye-laws, Mr. Ho Pak Hung and Mr. Young Kwok Sui will retire by rotation, and being eligible, will offer themselves for re-election at the Annual General Meeting.

Particulars of Mr. Ng Kin Sun, Mr. Ho Pak Hung and Mr. Young Kwok Sui are set out in Appendix I of this circular.

3. GENERAL MANDATE TO ISSUE SHARES AND REPURCHASE SHARES

At the Annual General Meeting, 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 share capital of the Company in issue 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 resolution no. 4B and 4C in the Notice of Annual General Meeting dated 29 April 2005 (the “AGM Notice”).

An ordinary resolution will also be proposed at the Annual General Meeting 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 at the date of the passing of the resolution (the “Repurchase Mandate”) as set out as ordinary resolution no. 4A of the AGM Notice. An explanatory statement as required under Rule 10.06(1)(b) of the Rules Governing the Listing of Securities (the “Listing Rules”) in connection with the Repurchase Mandate is set out in Appendix II of this circular.

4. RIGHT TO DEMAND A POLL

Pursuant to Bye-law 66 of the Bye-laws of the Company, a resolution put to the vote of a general 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 the 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 right to vote at the meeting; or
- (d) 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 holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all shares conferring that right.

5. ACTION TO BE TAKEN

The AGM Notice is contained in the 2004 Annual Report of the Company which accompanies this circular. A form of proxy for the Annual General Meeting is enclosed for your use. Whether or not you intend to attend the Annual General Meeting, you are requested to complete and return the proxy form in accordance with the instructions printed thereon. Proxy forms should be returned as soon as practicable and in any event so as to be received not later than 48 hours before the time appointed for the holding of the Annual General Meeting. Lodging a proxy form will not preclude you from attending and voting at the meeting should you desire.

6. RECOMMENDATION

The Directors consider that the proposals referred to above are in the best interests of the Company and its shareholders and recommend all shareholders to vote in favour of the resolutions relating thereto.

Yours faithfully,
Ho Tsam Hung
Chairman

Particulars of the retiring Directors subject to re-election at the Annual General Meeting are set out below:

Mr. Ho Pak Hung

Mr. Ho Pak Hung, aged 54, was appointed in May 1997 as the Deputy Chairman of the Company and is directors of various subsidiaries of the Group. Mr. Ho is responsible for overall management of the operations in the Group. He has over 13 years' experience in property development and investment in the People's Republic of China (the "PRC"). He is the older brother of Mr. Ho Tsam Hung, the Chairman of the Company, and Mr. Ho Kam Hung, the Managing Director of the Company.

In the last three years prior to his appointment, Mr. Ho has not held any directorships in any other listed public companies. As at 26 April 2005, the latest practicable date prior to the printing of this circular (the "Latest Practicable Date"), he has interests in 270,000,000 Shares of the Company through a controlled corporation within the meanings of Part XV of the Securities and Futures Ordinance. Moreover, he is interested in approximately 31.58% of the issued share capital of High Rank Enterprises Limited ("High Rank"), which High Rank holds 883,000,000 Shares of the Company as at the Latest Practicable Date.

There is no service contract between Mr. Ho and the Company. Mr. Ho has no designated length of service but is subject to retirement by rotation and re-election at annual general meetings of the Company in accordance with the Company's Bye-laws. The remuneration of Mr. Ho as determined by the board of Directors is HK\$240,000 per annum.

Mr. Young Kwok Sui

Mr. Young Kwok Sui, aged 47, was appointed in December 2002 as the Independent Non-executive Director of the Company. He is also a member of the Audit Committee of the Company. He holds a bachelor degree in laws and commerce. He is also a solicitor and barrister of the High Court of New Zealand. He has over 17 years of professional and commercial experiences in accountancy and management consultancy services.

In the last three years prior to the appointment, Mr. Young has not held any position with the Company or other members of the Company's group and has not held any directorships in any other listed public companies. He does not have any relationship with any other directors, senior management, substantial shareholders or controlling shareholders of the Company. As at the Latest Practicable Date, he does not have any interest in the Shares of the Company within the meanings of Part XV of the Securities and Futures Ordinance.

Mr. Young has not entered into any service contract with the Company nor is he appointed for any specific length of services with the Company, and is subject to retirement by rotation and re-election at annual general meetings of the Company in accordance with the Company's Bye-laws. The remuneration of Mr. Young as determined by the board of Directors is HK\$210,000 per annum.

Mr. Ng Kin Sun

Mr. Ng Kin Sun, aged 35, was appointed in September 2004 as the Independent Non-executive Director of the Company. He is also a member of the Audit Committee of the Company. He holds a bachelor degree in commerce. He is an associate member of The Hong Kong Institute of Certified Public Accountants and a Certified Practising Accountant in Australia. He has about ten years of experience in accountancy and treasury management. Mr. Ng currently holds executive directorship in Spread Prospects Holdings Limited (Stock code: 572).

In the last three years prior to the appointment, Mr. Ng has not held any position with the Company or other members of the Company's group. Save as disclosed above that Mr. Ng holds executive directorship in Spread Prospects Holdings Limited since June 2003, he has not held any directorship in any other listed public companies in the last three year prior to his appointment. He does not have any relationship with any other directors, senior management, substantial shareholders or controlling shareholders of the Company. As at the Latest Practicable Date, he does not have any interest in the Shares of the Company within the meanings of Part XV of the Securities and Futures Ordinance.

Mr. Ng has not entered into any service contract with the Company nor is he appointed for any specific length of services with the Company, and is subject to retirement by rotation and re-election at annual general meetings of the Company in accordance with the Company's Bye-laws. The remuneration of Mr. Ng as determined by the board of Directors is HK\$140,000 per annum.

Save as disclosed above, the Company considers that there is no other matter relating to the re-election of Mr. Ho, Mr. Young and Mr. Ng as Directors that need to be brought to the attention of the Shareholders.

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 of Hong Kong Limited (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 1,703,000,000 Shares, representing about 43.45 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. 4A set out in the AGM Notice may be repurchased. As at the Latest Practicable Date, 3,919,413,009 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 391,941,300 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 31 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 1,703,000,000 Shares, representing about 43.45 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 48.28 per cent. of the issued capital of the Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. The Directors do not propose to exercise the power to repurchase Shares to such extent that would give rise to an obligation to make a mandatory offer in accordance with 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		
April	0.167	0.119
May	0.130	0.070
June	0.142	0.101
July	0.170	0.120
August	0.165	0.116
September	0.123	0.080
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 (up to the Latest Practicable Date)	0.047	0.024