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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)**

### **ISSUE OF NEW SHARES PURSUANT TO GENERAL MANDATE**

On 4 July 2007, the Company entered into the Subscription Agreements with the Subscribers in relation to the Subscription by the Subscribers at the price of HK\$0.30 per Subscription Share of an aggregate of 120,000,000 new Shares.

The Subscription Shares represent approximately 19.6% of the existing issued share capital of the Company and approximately 16.4% of the share capital as enlarged by the issue of the Subscription Shares.

The Subscription Price was determined after arm's length negotiations between the Company and the Subscribers and with reference to the prevailing market prices of the Shares. The Subscription Price represents (i) a discount of approximately 16.7% to the closing price of HK\$0.36 per Share as quoted on the Stock Exchange on 4 July 2007, being the last trading day of the Shares on the date of this announcement; (ii) a discount of approximately 14.3% to the average closing price of approximately HK\$0.35 per Share for the last 5 trading days ended 4 July 2007 and (iii) a discount of approximately 13.4% to the average closing price of approximately HK\$0.3465 per Share for the last 10 trading days ended 4 July 2007.

The net proceeds from the Subscription of approximately HK\$35.7 million will be utilised for business development and general working capital of the Group.

On 4 July 2007, the Company entered into two Subscription Agreements with two Subscribers respectively in respect of the issue of the Subscription Shares.

## THE SUBSCRIPTION AGREEMENTS DATED 4 JULY 2007

### Parties

(i) The issuer of the Subscription Shares: the Company

Subscribers	Name	Guarantors	Number of new Shares to be subscribed
Subscriber 1	Super Grand Holdings Limited	Mr. Henry Mong	60,000,000
Subscriber 2	East Grand Group Limited	Mr. Zou Shengming	60,000,000

Subscriber 1 is an investment holding company and the ultimate beneficial owner of which is Mr. Henry Mong. As at the date of this announcement, the spouse of Mr. Mong is interested in 20,000,000 Shares, representing approximately 3.3% of the existing issued share capital of the Company. Save as disclosed above, to the best of the Directors' knowledge, information and belief having made all reasonable enquiry, Subscriber 1 and its ultimate beneficial owner are third parties independent of the Company and connected persons (as defined in the Listing Rules) of the Company. Based on the Directors' knowledge, Mr. Mong has more than 10 years experience in capital and infrastructure project investments in PRC and Hong Kong.

Subscriber 2 is an investment holding company and the ultimate beneficial owner of which is Mr. Zou Shengming. To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, Subscriber 2 and its ultimate beneficial owner are third parties independent of the Company and connected persons (as defined in the Listing Rules) of the Company. Based on the Directors' knowledge, Mr. Zou has more than 10 years experience in property investment and shoes manufacturing business in the PRC.

Subscriber 1 and Subscriber 2 are independent to each other.

### The Subscription Shares

Pursuant to the Subscription Agreements, the Subscribers agreed to subscribe for an aggregate of 120,000,000 new Shares, which represents:

- approximately 19.6% of the existing issued share capital of the Company; and
- approximately 16.4% of the issued share capital of the Company as enlarged by the issue of the Subscription Shares.

The Subscription Shares are to be issued by the Company under the General Mandate which allows the Company to issue up to 122,648,260 new Shares as at the date of this announcement. No Share has been issued by the Company pursuant to the General Mandate up to the date of this announcement. The Subscription Shares, when fully paid, will rank pari passu in all respects with all the Shares in issue on the date of completion of the Subscription.

## **Subscription Price**

The Subscription Price is HK\$0.30 per Subscription Share and is to be paid in cash on completion of the Subscription Agreements. The Subscription Price was agreed after arm's length negotiations between the Company and the Subscribers and represents:

- a discount of approximately 16.7% to the closing price of HK\$0.36 per Share as quoted on the Stock Exchange on 4 July 2007, being the last trading day of the Shares on the date of this announcement;
- a discount of approximately 14.3% to the average closing price of approximately HK\$0.35 per Share as quoted on the Stock Exchange for the last 5 trading days ended 4 July 2007; and
- a discount of approximately 13.4% to the average closing price of approximately HK\$0.3465 per Share for the last 10 trading days ended 4 July 2007.

The net price per Subscription Share (based on the amount of net proceeds from the Subscription) is approximately HK\$0.2975 per Subscription Share.

The Directors consider that the Subscription Price, which was negotiated on an arm's length basis between the Company and the Subscribers with reference to the prevailing market prices of the Shares, is fair and reasonable and is in the interests of the Company and the Shareholders as a whole.

## **Conditions precedent to the Subscription Agreements**

Completion of the Subscription Agreements is conditional upon the Listing Committee of the Stock Exchange granting approval for the listing of and permission to deal in the Subscription Shares and such approval not subsequently being revoked prior to the delivery of the share certificate for the Subscription Shares.

The Subscription Agreements are not inter-conditional to each other.

The Company will apply to the Listing Committee for the approval for the listing of and permission to deal in the Subscription Shares. If the conditions are not fulfilled on or prior to 3 August 2007 (or such later date as may be agreed between the Company and the Subscribers), the Subscription Agreements will terminate.

## **Completion of the Subscription Agreement**

Completion of the Subscription is expected to take place on the second Business Day following the obtaining of the listing approval in respect of the Subscription Shares or such later date as the Company and the Subscribers may agree. It is expected that Completion will take place on or before 18 July 2007.

## **REASONS FOR THE SUBSCRIPTION AND USE OF PROCEEDS**

The net proceeds from the Subscription will amount to approximately HK\$35.7 million and will be used for business development and general working capital of the Group.

The Group is principally engaged in property investment and the leasing of point-of-sale equipment in the Mainland China. The Board is of the view that the Subscription represents a good opportunity to raise additional funds to strengthen financial position of the Group and at the same time broaden its capital base. Taking into account the business and industry background of the beneficial owners of the Subscribers, the Directors consider the Subscription represents a good opportunity to introduce two strategic investors to the Company.

## FUND RAISING ACTIVITIES INVOLVING ISSUE OF SECURITIES IN THE PAST 12 MONTHS

The Group has not conducted any fund raising activities involving issue of securities in the 12 months immediately preceding the date of this announcement.

## SHAREHOLDING STRUCTURE OF THE COMPANY

The shareholding structure of the Company as at the date of this announcement, immediately after completion of the Subscription is as follows:

Shareholders	As at the date of this announcement		Immediately after Completion	
	Number of Shares	%	Number of Shares	%
High Rank Enterprises Limited ( <i>Note 1</i> )	31,700,000	5.17	31,700,000	4.33
On Tai Profits Limited ( <i>Note 2</i> )	27,000,000	4.40	27,000,000	3.68
Morcambe Corporation ( <i>Note 3</i> )	27,000,000	4.40	27,000,000	3.68
Morgan Estate Assets Limited ( <i>Note 4</i> )	14,500,000	2.36	14,500,000	1.98
Hero Grand Investments Limited ( <i>Note 5</i> )	77,000,000	12.56	77,000,000	10.50
Subscriber 1 and the spouse of its beneficial owner ( <i>Note 6</i> )	20,000,000	3.26	80,000,000	10.91
Subscriber 2	–	–	60,000,000	8.18
Other public Shareholders ( <i>Note 7</i> )	416,041,300	67.85	416,041,300	56.74
Total	<u>613,241,300</u>	<u>100.0</u>	<u>733,241,300</u>	<u>100.0</u>
Total public Shareholders	<u>436,041,300</u>	<u>71.11</u>	<u>476,041,300</u>	<u>64.92</u>

### Notes:

- Each of Messrs. Ho Tsam Hung and Ho Kam Hung, being the executive Directors, is interested in approximately 31.58% of the issued share capital of High Rank Enterprises Limited. Messrs. Ho Tsam Hung and Ho Kam Hung are brotherhood.
- On Tai Profits Limited is wholly owned by Mr. Ho Pak Hung, a former Director and a brother of Messrs. Ho Tsam Hung and Ho Kam Hung.
- Morcambe Corporation is wholly owned by Mr. Ho Kam Hung, an executive Director.
- Morgan Estate Assets Limited is wholly owned by Mr. Ho Tsam Hung, an executive Director.
- Hero Grand Investments Limited is wholly owned by a third party whom is not associated with any Directors or any of their respective associates.

6. As at the date of this announcement, the spouse of the beneficial owner of Subscriber 1 is interested in 20,000,000 Shares. Before Completion, such 20,000,000 Shares are treated as public float of the Company.
7. The above figures are based on the latest information available to the Company.

## DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise.

“associate”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Business Day”	a day (other than a Saturday) on which banks are open for business in Hong Kong
“Company”	Zhong Hua International Holdings Limited (stock code: 1064), 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 Subscription Agreements
“Directors”	the directors of the Company
“General Mandate”	the general mandate granted to the Directors to exercise the powers of the Company to allot, issue and deal with shares of the Company up to 20% of the issued share capital of the Company pursuant to the ordinary resolution of the Shareholders passed in the 2006 annual general meeting of the Company held on 30 August 2006
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Share(s)”	ordinary share(s) of HK\$0.20 each in the capital of the Company
“Shareholders”	holders of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber 1”	Super Grand Holdings Limited, a company incorporated in the British Virgin Islands
“Subscriber 2”	East Grand Group Limited, a company incorporated in the British Virgin Islands

“Subscribers”	Subscriber 1 and Subscriber 2
“Subscription”	the subscription of the Subscription Shares by the Subscribers pursuant to the Subscription Agreements
“Subscription Agreements”	two conditional subscription agreements both dated 4 July 2007 and entered into between the Company and each of the Subscribers in relation to the Subscription
“Subscription Price”	the price of HK\$0.30 per Subscription Share
“Subscription Shares”	120,000,000 new Shares to be issued by the Company pursuant to the Subscription

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

Hong Kong, 4 July 2007

*As at the date of this announcement, the Board comprises Messrs. Ho Tsam Hung, Ho Kam Hung and Yang Jia Jian who are executive Directors, Ms. Lam Kuo and Mr. Young Kwok Sui as non-executive Directors, and Messrs. Lawrence K. Tam, Wong Miu Ting, Ivy and Wong Kui Fai who are independent non-executive Directors.*

\* *For identification purpose only*