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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)

SUBSCRIPTION OF NEW SHARES UNDER THE GENERAL MANDATE

Subscription

On 27 December 2019, the Company (as issuer) entered into the Subscription Agreement with the Subscriber in respect of 120,000,000 Subscription Shares at the Subscription Price of HK\$0.15 per Share.

As at the date of this announcement, the authorised share capital of the Company is HK\$100,000,000 divided into 4,000,000,000 Shares, of which 605,616,520 Shares have been issued and are fully paid up.

The 120,000,000 Subscription Shares represent (i) approximately 19.8% of the existing issued share capital of the Company as at the date of this announcement; and (ii) approximately 16.5% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares (assuming that there is no change in the issued share capital of the Company from the date of this announcement to the completion of the Subscription save for the issue of the Subscription Shares).

Completion of the Subscription is conditional on certain conditions precedent as more particularly set out in the Subscription Agreement, including the granting of listing status of the Subscription Shares.

The net proceeds of the Subscription will be approximately HK\$17.8 million and are intended to be applied as HK\$13 million towards to the re-development costs of the development project in Guangzhou, the PRC and the balance of HK\$4.8 million as general working capital of the Group.

General Mandate

The Subscription Shares will be issued under the General Mandate granted to the Directors at the AGM and the issue of the Subscription Shares will not be subject to the approval by the Shareholders.

Application will be made to the Stock Exchange for the listing of, and permission to deal, in the Subscription Shares.

Warning

Completion of the Subscription is subject to a number of conditions and subject to termination rights of the Subscriber and the Company. Accordingly, Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

The Board is pleased to announce that, on 27 December 2019 (after trading hours), the Company (as issuer) entered into the Subscription Agreement with the Subscriber in respect of 120,000,000 Subscription Shares at the Subscription Price of HK\$0.15 per Share.

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, the Subscriber and its ultimate owners or beneficiaries are third part(ies) independent of the Company and are not connected persons (as defined in the Listing Rules) of the Company.

The Subscription

Pursuant to the Subscription Agreement, the Subscriber agrees to subscribe for 120,000,000 Subscription Shares at the Subscription Price of HK\$0.15 per Share.

Subscription Shares

As at the date of this announcement, the authorised share capital of the Company is HK\$100,000,000 divided into 4,000,000,000 Shares, of which 605,616,520 Shares have been issued and are fully paid up. There are no outstanding options, warrants or other securities carrying subscription rights to subscribe for or conversion into Shares.

The 120,000,000 Subscription Shares represent (i) approximately 19.8% of the existing issued share capital of the Company as at the date of this announcement; and (ii) approximately 16.5% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares (assuming that there is no change in the issued share capital of the Company from the date of this announcement to the completion of the Subscription save for the issue of the Subscription Shares).

Rights of the Subscription Shares

The Subscription Shares will be credited as fully paid and rank *pari passu* with all other issued Shares in all respects as at the date of issue.

The Subscription Price

The Subscription Price is HK\$0.15 per Share, which represents:

- (i) a premium of approximately 8.7% to the closing price of HK\$0.138 per Share as quoted on the Stock Exchange on 24 December 2019, the Last Trading Day;
- (ii) a premium of approximately 8.7% to the closing price of HK\$0.138 per Share as quoted on the Stock Exchange on 27 December 2019, the date when the Subscription Price was fixed;
- (iii) a premium of approximately 8.7% to the average of the closing prices of approximately HK\$0.138 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the date when the Subscription Price was fixed; and
- (iv) a premium of approximately 5.6% to the average of the closing prices of approximately HK\$0.142 per Share as quoted on the Stock Exchange for the last ten consecutive trading days up to and including the Last Trading Day.

The Subscription Price was negotiated on an arm's length basis between the Company and the Subscriber and was determined with reference to the prevailing market price of the Shares and the recent trading volume of the Shares.

Non-Disposal Restriction

The Subscriber has undertaken not to dispose of the Subscription Shares or otherwise enter into any agreement or arrangement to dispose of, grant option or encumber any interests in the Subscription Shares within a period commencing from the date of this Agreement and ending six (6) months after the Completion Date.

Completion of the Subscription

The Subscription under the Subscription Agreement is conditional on the following:

- (i) the Listing Committee of the Stock Exchange's agreeing to grant a listing of and permission to deal in the Subscription Shares;
- (ii) the Shares remain listed on the Stock Exchange on the Completion Date;
- (iii) the trading of the Shares not being suspended for more than 10 business days as of the Completion Date;
- (iv) the representation and warranties of the Company remaining true and accurate in all material respects and are not misleading as of the date of the Subscription Agreement and the Completion Date.

The Subscriber may waive any conditions, except (i) which may not be waived by any Party to the Subscription Agreement. In the event the conditions are not fulfilled or waived by 31 January 2020, the Subscription Agreement shall be terminated.

TERMINATION

If at any time before the Completion Date:

- (i) there is any material breach of any of the representations and warranties as set out in the Subscription Agreement by the Subscriber or the Company or any event has occurred or any matter has arisen which would render any of such representations and warranties untrue or incorrect in any material respect; or
- (ii) there has been a material breach by the Subscriber or the Company of any other provision of this Agreement,

then the non-defaulting party may terminate the Subscription Agreement without liability to the other party.

WARNING

Given that completion of the Subscription is subject to a number of conditions and subject to termination rights of the Subscriber and the Company, Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

Completion

The completion of the Subscription shall take place the second business day upon satisfaction or waiver of the Conditions in full (or such other date as the parties may agree), which is expected to be around end of January 2020.

GENERAL MANDATE TO ISSUE THE SUBSCRIPTION SHARES

The issue of the Subscription Shares will not be subject to the approval by the Shareholders and the Subscription Shares will be issued under the General Mandate granted to the Directors at the AGM. Pursuant to the General Mandate, the total number of new Shares that the Company is authorised to issue is 121,123,304 Shares, representing 20% of the issued nominal capital of the Company as at the date of the AGM. Since the date of the AGM and up to the date of this announcement, no new Shares have been allotted and issued by the Company under the General Mandate.

APPLICATION FOR LISTING

Application will be made by the Company to the Stock Exchange for the listing of and permission to deal in the Subscription Shares.

EFFECTS ON SHAREHOLDING STRUCTURE OF THE COMPANY

Shareholding structure of the Company (i) as at the date of this announcement, and (ii) immediately after completion of the Subscription, assuming there are no other allotments and issue of Shares and no options under the Share Option Scheme are granted or exercised and no other securities are created and granted for the subscription of new shares), as follows:

	Immediately before the Subscription		Immediately after the Subscription	
	Shares	%	Shares	%
Substantial Shareholders				
Ho Family and his associates				
EC Fair Limited ¹	87,120,000	14.3	87,120,000	12.0
High Rank Enterprises Limited ²	12,680,000	2.1	12,680,000	1.7
Morcambe Corporation ³	10,800,000	1.8	10,800,000	1.5
Morgan Estate Assets Limited ⁴	5,800,000	1.0	5,800,000	0.8
Sub-total	116,400,000	19.2	116,400,000	16.0
Strong Hero Holdings Limited ⁵	100,000,000	16.5	100,000,000	13.8
Subscriber	–	0.0	120,000,000	16.5
Sub-total	216,400,000	35.7	336,400,000	46.3
Other Directors	–	0.0	–	0.0
Public Shareholders				
Other Shareholders	389,216,520	64.3	389,216,520	53.7
Sub-total	389,216,520	64.3	389,216,520	53.7
Total issued shares	605,616,520	100.0	725,616,520	100.0

Notes:

1. EC Fair Limited is wholly-owned by Ho Pak Hung, Ho Tsam Hung and Ho Kam Hung.
2. Ho Kam Hung (an executive Director), Ho Pak Hung (a former Director) and Ho Tsam Hung (another former Director) jointly own approximately 94.7% of the issued share capital of High Rank Enterprises Limited. Ho Pak Hung, Ho Tsam Hung and Ho Kam Hung are brotherhood.
3. Morcambe Corporation is wholly-owned by Ho Kam Hung, an executive Director.
4. Morgan Estate Assets Limited is wholly-owned by Ho Tsam Hung, a former Director.
5. Strong Hero Holdings Limited is wholly-owned by Xie Xiaoxiang.

EQUITY FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

The Company has not conducted any equity fund raising activities in the past twelve months before the date of this announcement.

REASONS FOR THE SUBSCRIPTION AND USE OF PROCEEDS

The Directors consider that the Subscription offers a good opportunity to raise additional funds to strengthen the financial position, reduce the gearing level of the Company and broaden the capital base of the Group so as to facilitate its future development. The Directors (including the independent non-executive Directors) consider that terms of the Subscription Agreements are fair and reasonable, on normal commercial terms and are in the interests of the Company and the Shareholders as a whole.

The gross proceeds of the Subscription will be HK\$18 million. The net proceeds (after deducting all applicable costs and expenses of the Subscription) of approximately HK\$17.8 million from the Subscription are intended to be applied as HK\$13 million towards to the re-development costs of the development project in Guangzhou, the PRC and the balance of HK\$4.8 million as general working capital purposes of the Group. The net price of each Subscription Share will be approximately HK\$0.15.

INFORMATION ON THE COMPANY AND THE SUBSCRIBER

The Company is an investment holding company. Its subsidiaries are principally engaged in property development, investment and management businesses in the PRC and have two property interests, one in Chongqing and the other in Guangzhou. For the year ended 31 December 2018, the revenue and profit after tax of the Group were approximately HK\$51.3 million (2017: HK\$39.3 million) and HK\$50.3 million (2017: HK\$96.8 million) respectively. As at 30 June 2019, the total net assets of the Group were approximately HK\$3,035.6 million.

The Subscriber is an investment holding company and is indirectly and ultimately controlled by 中國光大集團股份公司 (China Everbright Group Ltd.#), a state-owned enterprise incorporated in the PRC.

DEFINITIONS

In this announcement, unless the context otherwise requires, the expressions below have the meanings assigned:

“AGM”	the annual general meeting of the Company held on 18 June 2019
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Company”	Zhong Hua International Holdings Limited, a company incorporated in Bermuda with limited liability and the shares of which are listed on the Stock Exchange (stock code: 1064)
“Completion Date”	the second business day after fulfillment of the Conditions (or such other date as the Company and the Subscriber may agree)
“Conditions”	the conditions to the completion of the Subscription Agreement
“Directors”	directors of the Company
“General Mandate”	the general mandate granted to the Directors pursuant to an ordinary resolution of the Company passed at the AGM to allot, issue and deal with up to 20% of the then issued share capital of the Company as at the date of the AGM
“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
“Last Trading Day”	24 December 2019, being the trading date immediately prior to the date of the Subscription Agreement
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

“PRC”	the People’s Republic of China, which for the purpose of this announcement excludes Hong Kong, the Macao Special Administrative Region of the PRC and Taiwan
“Share(s)”	ordinary share(s) of par value of HK\$0.025 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Share Option Scheme”	the employee share option scheme adopted by the Company on 19 December 2012
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber”	China Everbright International Investment Holdings Co., Ltd, a company incorporated in the British Virgin Islands
“Subscription”	the subscription for the Subscription Shares by the Subscriber pursuant to the terms and conditions of the Subscription Agreement
“Subscription Agreement”	the subscription agreement dated the date of this Agreement and entered into between the Company (as issuer) and the Subscriber
“Subscription Price”	HK\$0.15 per Subscription Share
“Subscription Shares”	120,000,000 new Shares
“%”	per cent.

English name for identification purpose only

By order of the Board
Ho Kam Hung
Executive Director

Hong Kong, 27 December 2019

As at the date of this announcement, the board of directors of the Company comprises: (i) Ho Kam Hung as executive director; (ii) Young Kwok Sui as non-executive director; and (iii) Tam Kong, Lawrence, Wong Miu Ting, Ivy and Wong Kui Fai as independent non-executive directors.