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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)**

### **SECOND SUPPLEMENTAL AGREEMENT IN RELATION TO THE ACQUISITION OF THE TARGET COMPANY**

On 31 March 2009, the Group and the Vendors entered into the Second Supplemental Agreement to extend the Long Stop Date for completion of the Agreement from 31 March 2009 to 30 June 2009. The parties to the Agreement may also explore revised terms for settlement of the consideration for, and completion timetable in relation to the uncompleted tranches of Sale Shares under, the Agreement.

The maturity date for the outstanding principal amount of the First Convertible Bond was amended to be the later of the second anniversary of the issue date of the First Convertible Bond or 30 June 2010.

As at the date of this announcement, save for the Second Supplemental Agreement, no other revised terms in respect of the Agreement have been agreed. In the event that there are material variation to the terms of the Agreement (as amended by the Second Supplemental Agreement), the Company will comply with the relevant Listing Rules requirements and make disclosure as and when appropriate.

Unless a revised agreement is reached on or before 30 June 2009, all the terms and conditions of the Agreement (as amended by the Second Supplemental Agreement) remain valid and binding on the parties thereto.

Shareholders and potential investors of the Company are advised to exercise caution when dealing in the shares of the Company.

Reference is made to the announcement of the Company dated 26 October 2007 and the circular dated 26 November 2007 (the "Circular") in relation to, among other things, the acquisition of the Target Company. Unless otherwise defined, terms used herein shall have the same meanings as those defined in the Circular.

As set out in the Circular, completion of the Acquisition will take place in four tranches to be completed in different phases on terms as follows:

<b>Tranches</b>	<b>Equity interests in Target Company represented</b>	<b>Consideration for each tranche (RMB)</b>	<b>Original expected completion date</b>
First Tranche	25%	453,700,000	31 December 2007
Second Tranche	26%	471,848,000	31 May 2008
Third Tranche	24%	435,552,000	31 October 2008
Fourth Tranche	25%	453,700,000	31 March 2009
	100%	1,814,800,000	

Pursuant to the terms and conditions of the Agreement, the Purchaser may at its sole discretion elect to defer completion of one or more tranches (except the First Tranche) to a date later than the expected completion date of the relevant tranche as mentioned above. If the Purchaser does not complete any of the tranches on or before the relevant expected completion date, the Purchaser is obliged to pay to the relevant Vendor a deferred interest payment (the “Deferred Interest”) calculated at the rate of 4% p.a. on the consideration for such tranche for the period commencing from the relevant original expected completion date and ending on and excluding the day when the relevant consideration is settled by the Purchaser or 31 March 2009, whichever the earlier. In the event that the entire Agreement does not complete by 31 March 2009 (the “Long Stop Date”), the Agreement shall lapse (save for any part of completed tranches) and the Purchaser shall have no liabilities save for the Deferred Interest obligations.

Completion of the First Tranche took place on 17 December 2007. As at the date of this announcement, the Second Tranche, the Third Tranche and the Fourth Tranche have not been completed. As such, the Purchaser is obliged to pay to the relevant Vendor of the Second Tranche and the Third Tranche the Deferred Interest, which is estimated to be approximately RMB22.9 million (equivalent to approximately HK\$25.9 million) in total. No Deferred Interest is required to be paid by the Purchaser in respect of the Fourth Tranche as the original expected completion date for the Fourth Tranche was on 31 March 2009.

In view of the credit squeeze experienced by the PRC property market since the first half of 2008 and the global financial tsunami which have caused unprecedented and adverse repercussions worldwide since the fourth quarter last year, the Directors considered maintaining a healthy financial position and preserving adequate working capital level to be the top priority for the Group in such market situation. In order not to increase the gearing position of the Group, the Company has decided to defer completion of the Second, the Third and the Fourth Tranches.

Nevertheless, the Directors remain optimistic on the development potential and prospects of the PRC property market in the medium to long term spectrum. The Company intends to capture the opportunity to increase its stake in the Target Company. For the said reasons, the Company has decided to enter into a supplemental agreement with the Vendors on 31 March 2009 (the “Second Supplemental Agreement”) to extend the Long Stop Date for completion of the Second, the Third and the Fourth Tranches to 30 June 2009. For the avoidance of doubt, despite the extension of the Long Stop Date, no additional Deferred Interest shall be chargeable for the period from 1 April 2009 to 30 June 2009, both days inclusive. The parties to the Agreement also wish to explore revised terms for the settlement of the consideration for, and completion timetable in relation to the outstanding tranches under, the Agreement. If any such revised terms are agreed upon by the parties on or before 30 June 2009, a revised agreement incorporating those terms will be executed no later than 30 June 2009, but no party shall be liable to any other if revised terms are not agreed by then.

Pursuant to the Agreement, part of the consideration for each of the four tranches is to be satisfied by the issue of Convertible Bonds in the aggregate principal amount of HK\$789,320,000. As at the date of this announcement, Convertible Bond in the principal amount of HK\$84,000,000 (the “First Convertible Bond”) has been issued to the Vendor as part of consideration for the First Tranche. Pursuant to the Agreement, the principal amount of the First Convertible Bond shall be payable by 17 December 2009, being the second anniversary of the date of issue of the First Convertible Bond. Under the Second Supplemental Agreement, the terms of the Convertible Bonds was amended such that the maturity date for the Convertible Bonds issued or issuable under the Agreement shall be changed to the second anniversary of the issue date of the relevant Convertible Bonds or 30 June 2010, whichever is the later.

The Directors consider that the entering into of the Second Supplemental Agreement is in the interests of the Company and the Shareholders as a whole as the Purchaser and the Company are given more time to proceed with the Acquisition while there is no additional Deferred Interest for the period from 1 April 2009 to 30 June 2009.

As at the date of this announcement, save for the aforesaid, no other revised terms in respect of the Agreement have been agreed. In the event that there are material variation to the terms of the Agreement, the Company will comply with the relevant Listing Rules requirements and make disclosure as and when appropriate.

Unless a revised agreement is reached on or before 30 June 2009, all the terms and conditions of the Agreement (as amended by the Second Supplemental Agreement) remain valid and binding on the parties thereto.

Shareholders and potential investors of the Company are advised to exercise caution when dealing in the shares of the Company.

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

Hong Kong, 31 March 2009

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

\* *For identification purpose only*