
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or any other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **ZHONG HUA INTERNATIONAL HOLDINGS LIMITED**, you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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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)

**PROPOSALS FOR ADOPTION
OF
NEW SHARE OPTION SCHEME
AND
OF NEW BYE-LAWS
AND
CHINESE NAME AS SECONDARY NAME
AND
NOTICE OF SPECIAL GENERAL MEETING**

A notice convening a special general meeting of Zhong Hua International Holdings Limited to be held at The Meeting Room on level 2 at Traders Hotel, Hong Kong, 508 Queen's Road West, Western District, Hong Kong at 2:30 p.m. on Wednesday, 19 December, 2012 is set out on pages 31 to 33 of this circular. Whether or not you intend to attend the special general meeting, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the Company's branch share registrar in Hong Kong, Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as practicable and in any event not later than 48 hours before the time appointed for holding the meeting. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting, or any adjournment thereof, should you so wish.

* For identification purposes only

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DEFINITIONS

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

“Adoption Date”	the date on which the New Scheme is approved by the Shareholders;
“associate”	the meaning ascribed thereto in the Listing Rules;
“Auditors”	at any time, the auditors of the Company at that time;
“Board”	the board of directors of the Company or a duly authorised committee thereof;
“business day”	the meaning ascribed thereto in the Listing Rules;
“Bye-laws”	the bye-laws of the Company;
“Chinese Secondary Name”	中華國際控股有限公司 proposed to be adopted as the secondary name of the Company;
“Commencement Date”	in respect of any particular Option, the date upon which the Option is granted in accordance with the terms of the New Scheme;
“Company”	Zhong Hua International Holdings Limited, a company incorporated in Bermuda with limited liability and the securities of which are listed on the Stock Exchange;
“connected person(s)”	the meaning ascribed thereto in the Listing Rules;
“Date of Grant”	in respect of an Option, the business day on which the Board resolves to make an offer of that Option to an Eligible Participant;
“Eligible Participant”	any executive or non-executive directors or full-time or part-time employees of any member of the Group, and any other persons whether or not full-time or part-time employees or directors of any member of the Group who, in the sole discretion of the Board, have contributed or are likely to contribute to the Group;
“Existing Scheme”	the share option scheme of the Company adopted on 11 June, 2002;
“General Scheme Limit”	10% of the issued share capital of the Company at the Adoption Date subject to renewal and adjustment pursuant to the terms of the New Scheme;

DEFINITIONS

“Group”	at any time, the Company and its subsidiaries and associates at that time;
“Latest Practicable Date”	23 November, 2012, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining information contained herein;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“New Bye-laws”	the new Bye-laws proposed to be adopted at the Special General Meeting, the principal terms of which are summarised in Appendix II to this circular;
“New Scheme”	the share option scheme of the Company proposed to be adopted at the Special General Meeting, the principal terms of which are summarised in Appendix I to this circular;
“Option”	an option granted (or proposed to be granted, as the context may indicate) under the New Scheme;
“Option Period”	in respect of any particular option under the New Scheme, such period to be determined and notified by the Board to each Grantee at the time of the offer of the grant of the Option;
“Other Schemes”	share option scheme(s) of the Company in force from time to time other than the New Scheme;
“Share(s)”	share(s) of par value of HK\$0.10 each in the share capital of the Company;
“Shareholder(s)”	holder(s) of the Shares;
“Special General Meeting”	the special general meeting of the Company to be held at The Meeting Room on level 2 at Traders Hotel, Hong Kong, 508 Queen’s Road West, Western District, Hong Kong at 2:30 p.m. on Wednesday, 19 December, 2012 notice of which is set out on pages 31 to 33 of this circular;
“Stock Exchange”	The Stock Exchange of Hong Kong Ltd.;
“subsidiary”	the meaning ascribed thereto in the Listing Rules; and
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong.

LETTER FROM THE BOARD



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 Director:

Ho Kam Hung

Non-executive Directors:

Young Kwok Sui

Independent Non-executive Directors:

Tam Kong, Lawrence

Wong Miu Ting, Ivy

Wong Kui Fai

Registered Office:

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

Head office and principal Place of

Business in Hong Kong:

Suite 2911, West Tower

Shun Tak Centre

168-200 Connaught Road Central

Central

Hong Kong

26 November, 2012

To the Shareholders

Dear Shareholders,

**PROPOSALS FOR ADOPTION
OF
NEW SHARE OPTION SCHEME
AND
OF NEW BYE-LAWS
AND
CHINESE NAME AS SECONDARY NAME
AND
NOTICE OF SPECIAL GENERAL MEETING**

INTRODUCTION

The purpose of this circular is to provide you with information about the proposed adoption of (i) a New Scheme; (ii) New Bye-laws; and (iii) the Chinese Secondary Name, and to give you notice of the Special General Meeting at which they will be considered.

* For identification purposes only

LETTER FROM THE BOARD

ADOPTION OF NEW SHARE OPTION SCHEME

The Existing Scheme expired on 10 June, 2012. As at the Latest Practicable Date, there were no options outstanding under it. The Board proposes that the New Scheme be adopted at the Special General Meeting.

Subject to the approval and adoption of the New Scheme by the Shareholders and conditional upon the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Shares to be issued and allotted pursuant to the exercise of Options under the New Scheme, the Directors will have the right to grant to Eligible Participants Options to subscribe for Shares up to the General Scheme Limit.

(i) Purposes of the New Scheme

The purposes of the New Scheme are to: (a) provide a way of recognition of the contributions or services or expected contributions or services of employees, executive and nonexecutive directors and others; (b) strengthen the relationships between the Group and its employees and directors and others; (c) attract and retain high quality employees and executives and providers of goods and services; and (d) motivate Eligible Participants to assist in development and expansion of the Group.

The Directors believe that the New Scheme will allow Directors to offer Options to Eligible Participants on flexible terms tailored for particular cases; (a) the imposition of performance targets to be achieved before the exercise of Options by the grantees; (b) the determination of the exercise price of Options on a fair basis in compliance with the requirements of the Listing Rules; and (c) the determination by the Directors of the Option Period in respect of any particular Option to be granted to a grantee, having regard to the particular circumstances of each grantee.

(ii) Value of Options

Since the different Option Periods in respect of particular Options that may be granted are yet to be determined by the Board, and Options may lapse or be cancelled prior to the scheduled expiry of their respective Option Periods on the happening of certain events specified in the New Scheme (such as particular grantees ceasing to be Eligible Participants for reasons not predictable or controllable by the Directors), the Directors consider that it is not appropriate to state the value as at the Latest Practicable Date of the Options that might be granted under the New Scheme as if they had been granted at such date.

(iii) Terms of the New Scheme

A summary of the principal terms of the New Scheme is set out in Appendix I to this circular.

(iv) Application for listing

Application will be made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Shares which may fall to be issued pursuant to the exercise of any Options that may be granted under the New Scheme.

LETTER FROM THE BOARD

ADOPTION OF NEW BYE-LAWS

The Directors also proposes to seek the approval of the Shareholders at the Special General Meeting of the New Bye-laws, the provisions of which principally reflect changes that are necessary or desirable because of amendments to the Listing Rules since the current Byelaws were adopted in September 1997. Rather than make piecemeal changes to different parts of the current Bye-laws, the Directors consider it simpler to adopt the New Bye-laws.

A summary of the New Bye-laws is set out in Appendix II to this circular. The adoption of the New Bye-laws is subject to the approval of Shareholders by way of special resolution. The New Bye-laws are available only in English and any Chinese translation is for reference only.

ADOPTION OF CHINESE SECONDARY NAME

For some years the Company has used for identification purposes only the Chinese Secondary Name but it has not been part of its name for the purpose of Bermuda law because Bermuda law did not allow for that in the past years. Bermuda law now permits registration of names such as the Chinese Secondary Name and the Directors have resolved that subject to Shareholders' approval the Company will adopt the Chinese Secondary Name while the English name remains unchanged.

(i) Reason For The Proposal

As the Company is incorporated in Bermuda, at present only its English name appears in its Certificate of Incorporation. Accordingly, the Company has been registered as an oversea company in its English name only under Part XI of the Companies Ordinance. As an oversea company was allowed to register a Chinese name in Hong Kong notwithstanding the fact that only the English name of a company appears in its Certificate of Incorporation, the Directors have in the past used the Chinese Secondary Name for the Company in Hong Kong and for the purpose of its registration in the Companies Registry under Part XI of the Companies Ordinance. Changes in Bermuda law now permit it formally to adopt the Chinese Secondary Name as part of its name registered in Bermuda.

(ii) Conditions

The adoption of the Chinese Secondary Name is subject to the passing of the a special resolution by the Shareholders at the Special General Meeting and the issue of the related certificate of secondary name in Bermuda.

The Company will make the necessary filings with the Registrar of Companies in Hong Kong.

An announcement will be made when the adoption of the Chinese Secondary Name becomes effective.

LETTER FROM THE BOARD

(iii) Effect

Regardless of the adoption of the Chinese Secondary Name becoming effective, all existing share certificates bearing the existing name of the Company will continue to be valid for trading, settlement and registration purpose. The rights of the Shareholders will not be affected as a result of the adoption of the Chinese Secondary Name.

SPECIAL GENERAL MEETING

A notice convening the Special General Meeting with the resolutions to be proposed thereat is set out in pages 31 to 33 of this circular.

Copies of the Existing Scheme, the current Bye-Laws, the draft New Scheme and the draft New Bye-laws are available for inspection at the Company's office at Suite 2911, West Tower, Shun Tak Centre, 168-200 Connaught Road Central, Central, Hong Kong during normal business hours up to and including the date of the Special General Meeting, and at the Special General Meeting. Your attention is also drawn to Appendix I to this circular headed "Summary of the New Share Option Scheme", which contains a summary of the principal provisions of the New Scheme and to Appendix II to this circular headed "Summary of New Bye-Laws", which contains a summary of the key terms of the New Bye-laws.

A form of proxy for the Special General Meeting is also enclosed with this circular. If you do not intend to be present at the Special General Meeting, you are requested to complete the form of proxy and return it to the Company's branch share register in Hong Kong, Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong in accordance with the instructions printed thereon as soon as practicable and in any event not less than 48 hours before the time appointed for holding the Special General Meeting. Completion and delivery of the form of proxy will not preclude you from attending and voting in person at the meeting if you so wish.

VOTING AT THE SPECIAL GENERAL MEETING

Pursuant to Rule 13.39(4) of the Listing Rules, all votes of the Shareholders in general meetings must be taken by poll. The chairman of the Special General Meeting will therefore demand a poll on each of the resolutions to be proposed at the Special General Meeting using his powers under Bye-law 66 of the current Bye-laws. The chairman of the Special General Meeting will explain at the commencement of the Special General Meeting the procedures for conducting a poll.

After the conclusion of the Special General Meeting, the results of the poll will be announced in accordance with Rule 13.39(5) of the Listing Rules.

No Shareholder is required to abstain from voting on the resolutions to be proposed at the meeting.

RECOMMENDATION

The Directors are of opinion that the adoption of the New Scheme, the New Bye-laws and the Chinese Secondary Name are all in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend that the Shareholders vote in favour of all resolutions to be proposed at the Special General Meeting.

LETTER FROM THE BOARD

RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

The English texts of this circular and the accompanying proxy form shall prevail over the Chinese texts in case of inconsistency.

Yours faithfully,
For and on behalf of
Zhong Hua International Holdings Limited
Ho Kam Hung
Executive Director

This Appendix summarises the principal terms of the New Scheme but does not form part of, and should not be taken as affecting the interpretation of the New Scheme. The Directors reserve the right at any time prior to the Special General Meeting to make such amendments to the New Scheme as they may consider necessary or appropriate provided that such amendments do not conflict in any material aspects with the summary in this Appendix.

The following is a summary of the principal terms of the New Scheme which is proposed to be adopted by the Company at the Special General Meeting:

(A) PURPOSES OF THE NEW SCHEME

The purposes of the New Scheme are to: (a) provide a way of recognition of the contributions or services or expected contributions or services of employees, executive and non-executive directors and others; (b) strengthen the relationships between the Group and its employees and directors and others; (c) attract and retain high quality employees and executives and providers of goods and services; and (d) motivate Eligible Participants to assist in development and expansion of the Group.

(B) ELIGIBILITY OF PARTICIPANTS

The Eligible Participants are any executives or non-executive directors or employees (full-time or part-time) of any member of the Group and any other persons whether or not employees (full-time or part-time) or directors of any member of the Group who, in the sole discretion of the Board, have contributed or are likely to contribute to the Group.

(C) GRANT AND ACCEPTANCE OF OPTIONS

Subject to the terms of the New Scheme, the Board may, at its absolute discretion, invite any Eligible Participant to take up Options at a price calculated in accordance with paragraph (E) below. If and to the extent that the offer of the grant of an Option is not accepted within 14 days from the date upon which it is made (provided that no such offer shall be open for acceptance after the tenth anniversary of the Adoption Date or after the New Scheme has been terminated), it will be deemed to have been irrevocably declined and will lapse.

An Option shall be deemed to have been granted and accepted and to have taken effect when the duplicate letter comprising acceptance of the offer of the grant of the Option duly signed by the grantee and accompanied by a remittance of HK\$1.00 in respect thereof is received by the Company.

(D) RESTRICTIONS ON THE GRANT OF OPTIONS

Each grant of Options to a Director, chief executive or substantial Shareholder of the Company, or any of their respective associates, must be approved by independent non-executive Directors (excluding an independent non-executive Director who is also the proposed grantee of the Options). Where any grant of Options to a substantial Shareholder or an independent non-executive Director, or any of their respective associates, would result in the Shares issued and to be issued upon exercise of all Options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant in accordance with the terms of the New Scheme:

- (1) representing in aggregate over 0.1% of the Shares in issue; and
- (2) having an aggregate value, based on the closing price of the Shares at the date of such grant, in excess of HK\$5 million,

such further grant of Options must be approved by Shareholders in general meeting. All connected persons of the Company must abstain from voting at such general meeting, except that any connected person may vote against the relevant resolution at the general meeting provided that his intention to do so has been stated in the circular to be sent to Shareholders in connection with that meeting. Any vote taken at the general meeting of the Company to approve the grant of such Options must be taken on a poll. Any change in the terms of the Options granted to an Eligible Participant who is a substantial Shareholder or an independent non-executive Director, or any of their respective associates, must also be approved by Shareholders in general meeting.

No offer for grant of Options shall be made after a price sensitive event has occurred or a price sensitive matter has been the subject of a decision until such price sensitive information has been announced in accordance with the requirements of the Listing Rules. In particular, no Option shall be granted during the period commencing one month immediately preceding the earlier of:

- (1) the date of the meeting of the Board (as such date is first notified to the Stock Exchange under the Listing Rules) for the approval of the Company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and
- (2) the last date on which the Company must publish an announcement of its results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules),

and ending on the date of the announcement of the results.

The Board shall not grant any Option to an Eligible Participant who is a Director during the periods or times in or at which the Directors are prohibited from dealing in Shares pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers prescribed by the Listing Rules or any corresponding code or securities dealing restrictions adopted by the Company.

(E) PRICE FOR SHARES

Subject to any adjustments made in consequence of any alterations in the capital structure of the Company as mentioned in paragraph (O) below, the subscription price for the Shares under the New Scheme shall be determined by the Board at its absolute discretion in respect of each Option and notified to the grantee of the Option but in any event must be at least the higher of (1) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the Date of Grant of the Option, which must be a business day; (2) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the Date of Grant of the Option; and (3) the par value of the Shares.

(F) MAXIMUM NUMBER OF SHARES

The total number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the New Scheme and any Other Schemes shall not exceed 30% of the issued share capital of the Company from time to time. No options may be granted under the New Scheme and any Other Schemes if this will result in that limit being exceeded. On the Latest Practicable Date, there were in issue 151,404,130 Shares.

The total number of Shares which may be issued upon exercise of all Options to be granted under the New Scheme and options to be granted under any Other Schemes shall not in aggregate exceed the General Scheme Limit. Options lapsed in accordance with the terms of the New Scheme will not be counted for the purpose of calculating the General Scheme Limit. Assuming there is no further issue or repurchase of Shares between the Latest Practicable Date and the Adoption Date, the General Scheme Limit is 15,140,413 Shares.

The Company may seek approval of Shareholders in general meeting to refresh the General Scheme Limit such that the total number of Shares which may be issued upon exercise of all Options to be granted under the New Scheme and options to be granted under all Other Schemes under the General Scheme Limit as refreshed will not exceed 10% of the issued share capital of the Company as at the date of approval of the refreshing of the limit by Shareholders in general meeting. For the avoidance of doubt, Options previously granted under the New Scheme and options previously granted under any Other Schemes (including those outstanding, cancelled or lapsed in accordance with the New Scheme and any Other Schemes or options exercised pursuant to the New Scheme and any Other Schemes) will not be counted for the purpose of calculating the refreshed limit.

The General Scheme Limit will be adjusted, in such manner as the Auditors shall certify to be appropriate, in the event of any alterations in the capital structure of the Company as mentioned in paragraph (O) below or otherwise howsoever.

The Company may, by the approval of Shareholders in general meeting, grant Options beyond the General Scheme Limit provided that the Options in excess of the General Scheme Limit are granted only to Eligible Participant specifically identified by the Company before such approval is sought.

The total number of Shares issued and to be issued upon exercise of Options granted in accordance with the New Scheme to each Eligible Participant (including both exercised, cancelled and outstanding Options) in any 12-month period must not exceed 1% of the Shares of the Company in issue. Any further grant of Options to an Eligible Participant which would result in the said 1% limit being exceeded in the 12-month period up to and including the date of such further grant must be approved by the Shareholders in general meeting with such Eligible Participant and his associates abstaining from voting.

(G) EXERCISE OF OPTIONS

Unless otherwise provided in the terms of the New Scheme or the relevant grant, an Option may be exercised at any time during the Option Period. The Option Period in respect of any particular Option under the New Scheme is to be determined and notified by the Board to each Grantee at the time of the offer of the grant of the Option, which may commence and end on any dates as determined by the Board but shall in any event end not later than 10 years from the Commencement Date. The minimum period for which an Option must be held before it can be exercised (i.e. the period between the grant of the Option and the commencement of the Option Period) is to be determined by the Directors after having regard to the particular circumstances of each grantee. There is no general performance target which must be achieved before any of the Options can be exercised, but the Board has a discretion to include such targets in the terms of any given Options.

(H) RANKING OF SHARES

The Shares to be allotted upon the exercise of an Option will be subject to all the provisions of the Bye-laws in force at the relevant time and will rank *pari passu* in all respects with the fully paid Shares in issue on the date of allotment and accordingly shall entitle the holders thereof to participate in all dividends or other distributions paid or made on or after the date of allotment other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor shall be before the date of allotment.

(I) RIGHTS PERSONAL TO GRANTEE

An Option is personal to the grantee and shall not be assignable and no grantee shall in any way sell, transfer, charge, mortgage, encumber or in any manner dispose of or create any interest in favour of any third party over or in relation to any Option. Any breach of the foregoing by a grantee of the Option shall entitle the Company to cancel any outstanding Option or part thereof granted to such grantee.

(J) RIGHTS ON DEATH, ILL-HEALTH, INJURY OR DISABILITY

If the grantee of an Option ceases to be an Eligible Participant by reason of death, ill-health, injury or disability before exercising the Option in full, subject to the determination of the Board by notice in writing to the grantee (or his legal personal representative(s)) within seven days following the date of such cessation (or such longer period as the Board may reasonably determine), the grantee or his legal personal representative(s) (as the case may be) may exercise the Option up to the grantee's entitlement (to the extent not already exercised) within the period of 12 months following such cessation or such longer period as determined by the Board provided that if within a period of 3 years prior to such cessation the grantee had committed any of the acts specified in paragraph (S)(5) below, the Board may at any time forthwith terminate the Option of the grantee by written notice to him or his legal personal representative(s).

(K) RIGHTS ON OTHER CESSATION EXCEPT FOR REASONS IN PARAGRAPH (J) OR PARAGRAPH (S)(5)

If the grantee of an Option ceases to be an Eligible Participant other than by reason of his death, ill-health, injury or disability or the termination of his employment on one or more grounds specified in paragraph (S)(5) below or his service or contract with any member of the Group lapses and is not renewed, the Option (to the extent not already exercised) shall, subject to the determination of the Board by notice in writing to the grantee at any time before the date of such cessation, or lapse, lapse 6 calendar months from and including the date of such cessation and not be exercisable provided that the grantee may exercise the Option (to the extent not already exercised) within such longer period as the Board may determine as aforesaid.

(L) RIGHTS ON A GENERAL OFFER

If a general offer (whether by way of takeover offer or scheme of arrangement or otherwise in like manner) is made to all the holders of Shares (or all such holders other than the offeror and/or any persons controlled by the offeror and/or any person acting in association or concert with the offeror) and such offer becomes or is declared unconditional, the grantee (or his legal personal representative(s)) shall be entitled by notice in writing to the Company to exercise his Option in full (to the extent not already exercised) or to the extent specified in such notice at any time within one month after the date on which the offer becomes or is declared unconditional and/or sell or dispose of the Shares allotted or to be allotted to him in connection with such Option.

(M) RIGHTS ON WINDING UP

In the event a notice is given by the Company to Shareholders to convene a Shareholders' meeting for the purposes of considering, and if thought fit approving, a resolution to wind up the Company voluntarily, the Company shall give notice thereof to each grantee (or his legal personal representative(s)) who shall thereupon be entitled not later than two business days prior to the proposed Shareholders' meeting by notice in writing to the Company to exercise his Options to the extent specified in such notice of the grantee (or his legal personal representative(s)) and the Company shall as soon as possible and in any event no later than the day immediately prior to the date of the proposed Shareholders' meeting, allot such number of Shares to the grantee which shall fall to be issued pursuant to that exercise of the Option.

(N) RIGHTS ON COMPROMISE OR ARRANGEMENT

If an application is made to the court (otherwise than where the Company is being voluntarily wound up) pursuant to the Companies Act or analogous legislation of any jurisdiction in connection with a proposed compromise or arrangement between the Company and its creditors (or any class of them) or between the Company and its Shareholders (or any class of them), the grantee may by notice in writing to the Company within 21 days after the date of such application, exercise his Option to the extent specified in such notice.

(O) EFFECT OF ALTERATIONS TO SHARE CAPITAL

In the event of any alteration in the capital structure of the Company whilst any Option remains exercisable, arising from capitalisation of profits or reserves, rights issue, consolidation, subdivision or reduction of the share capital of the Company, such corresponding alterations (if any) shall be made in:

- (1) the subject matter of the Option so far as unexercised; and/or
- (2) the subscription price per Share,

as the Auditors shall certify in writing to the Board (except for any adjustments made on a capitalisation issue) either generally in respect of all Options granted or specifically as regards any particular Option(s) to be in their opinion fair and reasonable and confirming that the adjustments satisfy the requirements set out in the Listing Rules, provided that and subject to the “Supplementary Guidance on Main Board Listing Rule 17.03(13)/Gem Listing Rule 23.03(13) and the note immediately after the Rule” issued by the Stock Exchange on 28th January 2010:

- (a) any such alterations shall be made on the basis that the aggregate subscription price payable by a grantee on the full exercise of any Option shall remain as nearly as possible the same (but shall not be greater than) it was before such event;
- (b) no such alteration shall be made the effect of which would be to enable any Share to be issued at less than its nominal value;
- (c) no such alterations shall be made the effect of which would be to increase or decrease the proportion of the issued share capital of the Company for which any grantee is entitled to subscribe pursuant to his Options; and
- (d) the issue of securities as consideration in a transaction shall not be regarded as a circumstance requiring any such alterations.

(P) DURATION AND ADMINISTRATION OF THE NEW SCHEME

Subject to the early termination of the New Scheme pursuant to the terms thereof, the New Scheme shall be valid and effective for a period of 10 years commencing on the Adoption Date, after which period no further Options shall be granted but in all other respects the provisions of the New Scheme shall remain in full force and effect and Options granted prior thereto may continue to be exercisable in accordance with their terms of issue.

The New Scheme shall be subject to the administration of the Board whose decision as to all matters arising in relation to the New Scheme or its interpretation or effect (save as otherwise provided therein) shall be final and binding on all parties.

(Q) ALTERATIONS TO THE TERMS OF THE NEW SCHEME

The New Scheme and the terms of any Options (including amendments in order to comply with changes in legal or regulatory requirements) may be altered at any time and from time to time in any respect by resolution of the Board except that:

- (1) the provisions relating to the matters set out in Rule 17.03 of the Listing Rules cannot be altered to the advantage of grantees or prospective grantees without the prior approval of the Shareholders in general meeting;
- (2) any alterations to the terms and conditions of the New Scheme which are of a material nature or any change to the terms of Options granted must subject to approval by the Shareholders in general meeting, except where the alterations take effect automatically under the existing terms of the New Scheme;
- (3) the terms of the New Scheme or the Options must after amendment comply with the relevant requirements of Chapter 17 of the Listing Rules; and
- (4) any change to the authority of the Directors or the administrators of the New Scheme in relation to any alteration to the terms of the New Scheme must be subject to approval by Shareholders in general meeting,

and no such alteration shall operate to affect adversely the terms of issue of any Option granted but not exercised or agreed to be granted prior to such alteration except with the consent or sanction of such majority of the grantees as would be required of the Shareholders under the Bye-laws for the time being for a variation of the rights attached to the Shares as a class.

(R) CANCELLATION/REDEMPTION OF OPTIONS

- (1) The Board may cancel any Option granted provided that the Board offers to grant to the grantee replacement Options under the New Scheme (or options under any Other Schemes) (subject to the limits described in paragraph (F)).

Any cancellation of Options granted and the granting of new Options to the same grantee may only be made under the New Scheme with available unissued Options (excluding the cancelled Options) within the General Scheme Limit as refreshed from time to time.

- (2) In addition to its powers referred to above notwithstanding any other provision of the New Scheme, the Board may at its discretion to cancel any Option, either in whole or in part, which has been validly exercised by a Grantee, by giving notice in writing to the Grantee stating that such Option is thereby cancelled.
- (3) If any Option shall be cancelled pursuant to paragraph (R) (2), the Grantee shall, subject as hereinafter provided, be entitled to receive a refund of the Subscription Price paid on exercise of such Option together with a payment in cash to compensate him for such cancellation be calculated by reference to the following formula:

$$(A \times B) - C$$

Where

A is the number of Shares that would have been issued on exercise of the Option (the "Applicable Shares");

B is the average closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange for the five business days last preceding the date the Company receives notices of exercise of the Option; and

C is the aggregate price for the Applicable Shares,

provided that (i) if the same shall result in a negative figure there shall be no entitlement to any such payment and (ii) if the Subscription Price shall not be the same for all the Applicable Shares, separate calculations shall be made in respect of each portion of the Applicable Shares for which the Subscription Price is the same, as if such rights of cancellation had been exercised separately in respect of each such portion of Applicable Shares.

(S) LAPSE OF OPTIONS

An Option shall lapse automatically and not be exercisable (to the extent not already exercised) on the earliest of:

- (1) subject to the circumstances mentioned in paragraph (J) above, the expiry of the Option Period;
- (2) the determination of the Board or the expiry of the periods referred to in paragraphs (J), (K), (L), (M) and (N) above;

- (3) subject to paragraph (M) above, the date of the commencement of the winding-up of the Company;
- (4) subject to paragraph (N) above, the proposed compromise or arrangement becoming effective;
- (5) the date on which the grantee of an employee or director of a member of the Group ceases to be an employee or director of a member of the Group by reason of the termination of his employment or service on grounds that he has been guilty of serious misconduct, or has become bankrupt or has become insolvent or has made any arrangements or composition with his creditors generally, or has been convicted of any criminal offence involving his integrity or honesty or on any other ground on which an employer would be entitled to terminate his employment summarily; and
- (6) the date on which the grantee commits a breach of paragraph (I) above, if the Board shall exercise the Company's right to cancel the same.

(T) TERMINATION

The Board may terminate the New Scheme at any time by resolving that no further Options shall be granted under the New Scheme. In such circumstances, no new offers to grant Options under the New Scheme shall be made and any Option which has been granted under the New Scheme but not yet exercised shall continue to be exercisable subject to the terms of the New Scheme.

Set out below is a summary of certain provisions of the proposed New Bye-laws of the Company. This is not exhaustive and is subject to the New Bye-laws themselves.

(A) DIRECTORS

(i) Power to allot and issue shares and warrants

Subject to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the Board may determine). Subject to the Companies Act, any preference shares may be issued or converted into shares that are liable to be redeemed, at a determinable date or at the option of the Company or, if so authorised by the Memorandum of Association, at the option of the holder, on such terms and in such manner as the Company before the issue or conversion may by ordinary resolution determine. The Board may issue warrants conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may from time to time determine.

Subject to the provisions of the Companies Act, the New Bye-laws, any direction that may be given by the Company in general meeting and, where applicable, the rules of any Designated Stock Exchange (as defined in the New Bye-laws) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the Board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the Board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the Board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(ii) Power to dispose of the assets of the Company or any of its subsidiaries

There are no specific provisions in the New Bye-laws relating to the disposal of the assets of the Company or any of its subsidiaries.

Note: The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the New Bye-laws or the Companies Act to be exercised or done by the Company in general meeting.

(iii) Compensation or payments for loss of office

Payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

(iv) Loans and provision of security for loans to Directors

There are no provisions in the New Bye-laws relating to the making of loans to Directors. However, the Companies Act contains restrictions on companies making loans or providing security for loans to their directors, the relevant provisions of which are summarised in the paragraph headed “Bermuda Company Law” in this Appendix.

(v) Financial assistance to purchase shares of the Company

Subject to compliance with the rules and regulations of the Designated Stock Exchange (as defined in the New Bye-laws) and any other relevant regulatory authority, the Company may give financial assistance for the purpose of or in connection with a purchase made or to be made by any person of any shares in the Company.

(vi) Disclosure of interests in contracts with the Company or any of its subsidiaries

A Director may hold any other office or place of profit with the Company (except that of auditor of the Company) in conjunction with his office of Director for such period and, subject to the Companies Act, upon such terms as the Board may determine, and may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) in addition to any remuneration provided for by or pursuant to any other New Bye-laws. A Director may be or become a director or other officer of, or a member of, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. Subject as otherwise provided by the New Bye-laws, the Board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

Subject to the Companies Act and to the New Bye-laws, no Director or proposed or intending Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the meeting of the Board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the Board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the Board approving any contract or arrangement or other proposal in which he or any of his associates is materially interested but this prohibition shall not apply to any of the following matters, namely:

- (aa) any contract or arrangement for giving to such Director or his associate(s) any security or indemnity in respect of money lent by him or any of his associates or obligations incurred or undertaken by him or any of his associates at the request of or for the benefit of the Company or any of its subsidiaries;
- (bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (dd) any contract or arrangement in which the Director or his associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company; or

- (ee) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

(vii) Remuneration

The ordinary remuneration of the Directors shall from time to time be determined by the Company in general meeting, such remuneration (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the Board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors shall also be entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably incurred or expected to be incurred by them in attending any Board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the Board go beyond the ordinary duties of a Director may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the Board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration provided for by or pursuant to any other Bye-law. A Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration (whether by way of salary, commission or participation in profits or otherwise or by all or any of those modes) and such other benefits (including pension and/or gratuity and/or other benefits on retirement) and allowances as the Board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The Board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or ex-Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex-employees of the Company and their dependants or any class or classes of such persons.

The Board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependants, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependants are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the Board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(viii) Retirement, appointment and removal

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) will retire from office by rotation provided that every Director (except the Chairman and Managing Director whilst holding such office) shall be subject to retirement at least once every three years. The Directors to retire in every year will be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot.

Note: There are no provisions relating to retirement of Directors upon reaching any age limit.

The Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the Board or, subject to authorisation by the members in general meeting, as an addition to the existing Board but so that the number of Directors so appointed shall not exceed any maximum number determined from time to time by the members in general meeting. Any Director so appointed by the Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification.

A Director may be removed by an ordinary resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) provided that the notice of any such meeting convened for the purpose of removing a Director shall contain a statement of the intention to do so and be served on such Director fourteen (14) days before the meeting and, at such meeting, such Director shall be entitled to be heard on the motion for his removal. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors unless otherwise determined from time to time by members of the Company.

The Board may from time to time appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period (subject to their continuance as Directors) and upon such terms as the Board may determine and the Board may revoke or terminate any of such appointments (but without prejudice to any claim for damages that such Director may have against the Company or vice versa). The Board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the Board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the Board.

(ix) Borrowing powers

The Board may from time to time at its discretion exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets (present and future) and uncalled capital of the Company and, subject to the Companies Act, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

Note: These provisions, in common with the New Bye-laws in general, can be varied with the sanction of a special resolution of the Company.

(B) ALTERATIONS TO CONSTITUTIONAL DOCUMENTS

The New Bye-laws may be rescinded, altered or amended by the Directors subject to the confirmation of the Company in general meeting. The New Bye-laws state that a special resolution shall be required to alter the provisions of the Memorandum of Association, to confirm any such rescission, alteration or amendment to the New Bye-laws or to change the name of the Company.

(C) ALTERATION OF CAPITAL

The Company may from time to time by ordinary resolution in accordance with the relevant provisions of the Companies Act:

- (i) increase its capital by such sum, to be divided into shares of such amounts as the resolution shall prescribe;
- (ii) consolidate and divide all or any of its capital into shares of larger amount than its existing shares;
- (iii) divide its shares into several classes and without prejudice to any special rights previously conferred on the holders of existing shares as the directors may determine;
- (iv) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum of Association;

- (v) change the currency denomination of its share capital;
- (vi) make provision for the issue and allotment of shares which do not carry any voting rights; and
- (vii) cancel any shares which, at the date of passing of the resolution, have not been taken, or agreed to be taken, by any person, and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may, by special resolution, subject to any confirmation or consent required by law, reduce its authorised or issued share capital or, save for the use of share premium as expressly permitted by the Companies Act, any share premium account or other undistributable reserve.

(D) VARIATION OF RIGHTS OF EXISTING SHARES OR CLASSES OF SHARES

Subject to the Companies Act, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the New Bye-laws relating to general meetings will *mutatis mutandis* apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons or (in the case of a member being a corporation) its duly authorised representative holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or (in the case of a member being a corporation) its duly authorised representative or by proxy whatever the number of shares held by them shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

(E) SPECIAL RESOLUTION-MAJORITY REQUIRED

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice of not less than twenty-one (21) clear days and not less than ten (10) clear business days specifying the intention to propose the resolution as a special resolution, has been duly given. Provided that if permitted by the Designated Stock Exchange (as defined in the New Bye-laws), except in the case of an annual general meeting, if it is so agreed by a majority in number of the members having a right to attend and vote at such meeting, being a majority together holding not less than ninety-five per cent. (95%) in nominal value of the shares giving that right and, in the case of an annual general meeting, if so agreed by all members entitled to attend and vote thereat, a resolution may be proposed and passed as a special resolution at a meeting of which notice of less than twenty-one (21) clear days and not less than ten (10) clear business days has been given.

(F) VOTING RIGHTS

Subject to any special rights or restrictions as to voting for the time being attached to any shares by or in accordance with the New Bye-laws, at any general meeting on a poll every member present in person or by proxy or (being a corporation) by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for the foregoing purposes as paid up on the share.

A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll save that the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a duly authorized representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares held by that clearing house (or its nominee(s)) in respect of the number and class of shares specified in the relevant authorisation including, where a show of hands is allowed, the right to vote individually on a show of hands.

Where the Company has any knowledge that any shareholder is, under the rules of the Designated Stock Exchange (as defined in the New Bye-laws), required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

(G) REQUIREMENTS FOR ANNUAL GENERAL MEETINGS

An annual general meeting of the Company must be held in each year other than the year in which its statutory meeting is convened at such time (within a period of not more than 15 months after the holding of the last preceding annual general meeting unless a longer period would not infringe the rules of any Designated Stock Exchange (as defined in the New Bye-laws)) and place as may be determined by the Board.

(H) ACCOUNTS AND AUDIT

The Board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the provisions of the Companies Act or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records shall be kept at the registered office or, subject to the Companies Act, at such other place or places as the Board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right of inspecting any accounting record or book or document of the Company except as conferred by law or authorised by the Board or the Company in general meeting.

Subject to the Companies Act, a printed copy of the Directors' report, accompanied by the balance sheet and profit and loss account, including every document required by law to be annexed thereto, made up to the end of the applicable financial year and containing a summary of the assets and liabilities of the Company under convenient heads and a statement of income and expenditure, together with a copy of the auditors' report, shall be sent to each person entitled thereto at least twenty-one (21) days before the date of the general meeting and at the same time as the notice of annual general meeting and laid before the Company at the annual general meeting in accordance with the requirements of the Companies Act provided that this provision shall not require a copy of those documents to be sent to any person whose address the Company is not aware or to more than one of the joint holders of any shares or debentures; however, to the extent permitted by and subject to compliance with all applicable laws, including the rules of the Designated Stock Exchange (as defined in the New Bye-laws), the Company may send to such persons summarised financial statements derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to summarised financial statements, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

Subject to the Companies Act, at the annual general meeting or at a subsequent special general meeting in each year, the members shall appoint an auditor to audit the accounts of the Company and such auditor shall hold office until the members appoint another auditor. Such auditor may be a member but no Director or officer or employee of the Company shall, during his continuance in office, be eligible to act as an auditor of the Company. The remuneration of the auditor shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor shall be submitted to the members in general meeting. The generally accepted auditing standards referred to herein may be those of a country or jurisdiction other than Bermuda. If the auditing standards of a country or jurisdiction other than Bermuda are used, the financial statements and the report of the auditor should disclose this fact and name such country and jurisdiction.

(I) NOTICES OF MEETINGS AND BUSINESS TO BE CONDUCTED THEREAT

An annual general meeting shall be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days and any special general meeting at which it is proposed to pass a special resolution shall (save as set out in sub-paragraph (e) above) be called by notice of at least twenty-one (21) clear days and not less than ten (10) clear business days. All other special general meetings shall be called by notice of at least fourteen (14) clear days and not less than ten (10) clear business days. The notice must specify the time and place of the meeting and, in the case of special business, the general nature of that business. The notice convening an annual general meeting shall specify the meeting as such.

(J) TRANSFER OF SHARES

All transfers of shares may be effected in any manner permitted by and in accordance with the rules of the Designated Stock Exchange or by an instrument of transfer in the usual or common form or in a form prescribed by the Designated Stock Exchange or in such other form as the Board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the Board may approve from time to time. The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the Board may dispense with the execution of the instrument of transfer by the transferee in any case in which it thinks fit, in its discretion, to do so and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect thereof. The Board may also resolve either generally or in any particular case, upon request by either the transferor or the transferee, to accept mechanically executed transfers.

The Board in so far as permitted by any applicable law may, in its absolute discretion, at any time and from time to time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the Board otherwise agrees, no shares on the principal register shall be transferred to any branch register nor may shares on any branch register be transferred to the principal register or any other branch register. All transfers and other documents of title shall be lodged for registration and registered, in the case of shares on a branch register, at the relevant registration office and, in the case of shares on the principal register, at the registered office in Bermuda or such other place in Bermuda at which the principal register is kept in accordance with the Companies Act.

The Board may, in its absolute discretion, and without assigning any reason, refuse to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or any share issued under any share incentive scheme for employees upon which a restriction on transfer imposed thereby still subsists, and it may also refuse to register any transfer of any share to more than four joint holders or any transfer of any share (not being a fully paid up share) on which the Company has a lien.

The Board may decline to recognise any instrument of transfer unless a fee of such maximum sum as any Designated Stock Exchange (as defined in the New Bye-laws) may determine to be payable or such lesser sum as the Directors may from time to time require is paid to the Company in respect thereof, the instrument of transfer, if applicable, is properly stamped, is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in an appointed newspaper and, where applicable, any other newspapers in accordance with the requirements of any Designated Stock Exchange (as defined in the New Bye-laws), at such times and for such periods as the Board may determine and either generally or in respect of any class of shares. The register of members shall not be closed for periods exceeding in the whole thirty (30) days in any year.

(K) POWER FOR THE COMPANY TO PURCHASE ITS OWN SHARES

The New Bye-laws supplement the Company's Memorandum of Association (which gives the Company the power to purchase its own shares) by providing that the power is exercisable by the Board upon such terms and conditions as it thinks fit.

(L) POWER FOR ANY SUBSIDIARY OF THE COMPANY TO OWN SHARES IN THE COMPANY

There are no provisions in the New Bye-laws relating to ownership of shares in the Company by a subsidiary.

(M) DIVIDENDS AND OTHER METHODS OF DISTRIBUTION

Subject to the Companies Act, the Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the Board. The Company in general meeting may also make a distribution to its members out of contributed surplus (as ascertained in accordance with the Companies Act). No dividend shall be paid or distribution made out of contributed surplus if to do so would render the Company unable to pay its liabilities as they become due or the realisable value of its assets would thereby become less than its liabilities.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to a member by the Company on or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the Board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the Board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Board may think fit. The Company may also upon the recommendation of the Board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Whenever the Board or the Company in general meeting has resolved that a dividend be paid or declared the Board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the Board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the Board and shall revert to the Company.

(N) PROXIES

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company. In addition, a proxy or proxies representing either a member who is an individual or a member which is a corporation shall be entitled to exercise the same powers on behalf of the member which he or they represent as such member could exercise.

(O) CALL ON SHARES AND FORFEITURE OF SHARES

Subject to the New Bye-laws and to the terms of allotment, the Board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty per cent. (20%) per annum as the Board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the Board may waive payment of such interest wholly or in part. The Board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or instalments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the Board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the Board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Board to that effect.

Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together with (if the Board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the Board determines.

(P) INSPECTION OF REGISTER OF MEMBERS

The register and branch register of members shall be open to inspection between 10:00 a.m. and 12:00 noon during business hours by members of the public without charge at the registered office or such other place in Bermuda at which the register is kept in accordance with the Companies Act, unless the register is closed in accordance with the Companies Act.

(Q) QUORUM FOR MEETINGS AND SEPARATE CLASS MEETINGS

For all purposes the quorum for a general meeting shall be two members present in person or (in the case of a member being a corporation) by its duly authorised representative or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(R) RIGHTS OF THE MINORITIES IN RELATION TO FRAUD OR OPPRESSION

There are no provisions in the New Bye-laws relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Bermuda law, as summarised in paragraph 4(e) of this Appendix.

(S) PROCEDURES ON LIQUIDATION

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

If the Company shall be wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Act, divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(T) UNTRACEABLE MEMBERS

The Company may sell any of the shares of a member who is untraceable if (i) all cheques or warrants (being not less than three in total number) for any sum payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (ii) upon the expiry of the 12 year period, the Company has not during that time received any indication of the existence of the member; and (iii) the Company has caused an advertisement to be published in accordance with the rules of the Designated Stock Exchange (as defined in the New Bye-laws) giving notice of its intention to sell such shares and a period of three months, or such shorter period as may be permitted by the Designated Stock Exchange (as defined in the New Bye-laws), has elapsed since such advertisement and the Designated Stock Exchange (as defined in the New Bye-laws) has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds, it shall become indebted to the former member of the Company for an amount equal to such net proceeds.

(U) OTHER PROVISIONS

The New Bye-laws provide that to the extent that it is not prohibited by and is in compliance with the Companies Act, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

The New Bye-laws also provide that the Company is required to maintain at its registered office a register of directors and officers in accordance with the provisions of the Companies Act and such register is open to inspection by members of the public without charge between 10:00 a.m. and 12:00 noon during business hours.

NOTICE OF THE SPECIAL GENERAL MEETING



ZHONG HUA INTERNATIONAL HOLDINGS LIMITED

中華國際控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 1064)

NOTICE IS HEREBY GIVEN that a Special General Meeting of Zhong Hua International Holdings Limited (the “Company”) will be held at The Meeting Room on level 2 at Traders Hotel, Hong Kong, 508 Queen’s Road West, Western District, Hong Kong on Wednesday, 19 December, 2012 at 2:30 p.m., to consider and, if thought fit, pass the following resolutions which will be proposed as an ordinary resolution and as special resolutions respectively.

ORDINARY RESOLUTION

1. **THAT** subject to and conditional upon the Listing Committee of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) granting the listing of and permission to deal in the shares of the Company (“Shares”) to be issued pursuant to the exercise of any options (“Options”) granted or to be granted under the new share option scheme of the Company (“the Scheme”), the rules of which are contained in the document marked “A” produced to the meeting and for the purposes of identification signed by the Chairman thereof, the Scheme be and is hereby approved and adopted and the directors of the Company be and are hereby authorised to do all such acts, deeds and things and to enter into all such transactions, arrangements and agreements as they may, in their absolute discretion, deem necessary or expedient in order to give full effect to the Scheme including but without limitation:
 - (a) to administer and determine the selection of grantees and the terms of their respective Options;
 - (b) to modify and/or amend the Scheme from time to time provided that such modification and/or amendment is effected in accordance with the provisions of the Scheme relating to modifications and/or amendments;
 - (c) to issue and allot from time to time such Shares as may be required to be issued pursuant to the exercise of Options; and
 - (d) to make application at the appropriate time or times to the Stock Exchange, and any other stock exchanges on which the issued shares of the Company may for the time being be listed, for listing of and permission to deal in any Shares which may hereafter from time to time be issued and allotted pursuant to the exercise of Options under the Scheme.

* For identification purposes only

NOTICE OF THE SPECIAL GENERAL MEETING

SPECIAL RESOLUTIONS

2. **THAT** the Bye-laws a copy of which has been produced to this meeting marked “B” and signed by the Chairman for the purposes of identification be and are hereby adopted as the Byelaws of the Company in the place and to the exclusion of the Bye-laws in force immediately before the passing of this resolution and that and the directors of the Company be and are hereby authorised to do all such acts, deeds and things and to enter into all such transactions, arrangements and agreements as they may, in their absolute discretion, deem necessary or expedient in order to effect and record such adoption.
3. **THAT** 中華國際控股有限公司 be and is hereby adopted as the Company’s Chinese secondary name and the directors of the Company be and are hereby authorized to do all such acts, deeds and things and to enter into all such transactions, arrangements and agreements as they may, in their absolute discretion, deem necessary or expedient in order to effect and record such adoption.

By Order of the Board
Tsang Tsz Hung
Company Secretary

Hong Kong, 26 November, 2012

Executive Director:

Ho Kam Hung

Non-executive Directors:

Young Kwok Sui

Independent Non-executive Directors:

Tam Kong, Lawrence

Wong Miu Ting, Ivy

Wong Kui Fai

Registered Office:

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

*Head office and principal Place of
Business in Hong Kong:*

Suite 2911, West Tower

Shun Tak Centre

168-200 Connaught Road Central

Central

Hong Kong

Notes:

- (1) The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under its seal or under the hand of an officer, attorney or other person duly authorised to sign the same.
- (2) Any member of the Company entitled to attend and vote at the meeting is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member. In addition, a proxy or proxies representing either a member who is an individual or a member which is a corporation shall be entitled to exercise the same powers on behalf of the member which he or they represent as such member could exercise.

NOTICE OF THE SPECIAL GENERAL MEETING

- (3) The instrument appointing a proxy and 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 delivered to the Company's branch share registrar in Hong Kong, Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not less than forty-eight (48) hours before the time appointed for holding the meeting or in the case of a poll taken subsequently to the date of a meeting or adjourned meeting, not less than twenty-four (24) hours before the time appointed for the taking of the poll and in default the instrument of proxy shall not be treated as valid. No instrument appointing proxy shall be valid after the expiration of twelve (12) months from the date named in it as the date of its execution, except at an adjourned meeting or on a poll demanded at a meeting or an adjourned meeting in cases where the meeting was originally held within twelve (12) months from such date.
- (4) Delivery of an instrument appointing a proxy shall not preclude a member from attending and voting in person at the meeting convened and in such event, the instrument appointing a proxy shall be deemed to be revoked.