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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)

**(I) FOURTH SUPPLEMENTAL AGREEMENT IN RESPECT OF
EXTENSION OF LONG STOP DATE
IN RELATION TO
THE ACQUISITION OF THE TARGET COMPANY;
(II) EXPIRY OF THE FIRST CONVERTIBLE BOND; AND
(III) LETTER OF UNDERTAKING IN RELATION TO THE
FIRST CONVERTIBLE BOND**

The Fourth Supplemental Agreement

On 17 December 2009, the Group and the Vendors entered into the Fourth Supplemental Agreement to extend the Long Stop Date for completion of the Agreement (as amended by the Extension Agreements) from 31 December 2009 to 30 June 2010.

Other than the extension of the Long Stop Date, all the terms and conditions of the Agreement (as amended by the Extension Agreements and the Fourth Supplemental Agreement) remain valid and binding on the parties thereto.

Expiry of the First Convertible Bond and the Letter of Undertaking

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, the First Convertible Bond in the principal amount of HK\$84,000,000 has been issued to the Bondholder as part of consideration for the First Tranche on 17 December 2007. Pursuant to the Agreement, the principal amount of the First Convertible Bond should be payable by 17 December 2009, being the second anniversary of the issue date of the First Convertible Bond. The Company has not received any notice from the Bondholder regarding the exercise of conversion rights attached to the First Convertible Bond. Thus, as at the date of

* For identification purpose only

this announcement, the First Convertible Bond fell due and shall no longer impose potential dilution effect on the shareholding interests of the existing Shareholders. The First Convertible Bond will remain as a liability for the Company in the amount of HK\$84,000,000.

On 17 December 2009, the Bondholder provided the Letter of Undertaking to the Company. Pursuant to which, the Bondholder confirms and undertakes to the Company that it has no objection if the Company elects to defer the repayment of the outstanding principal amount of HK\$84,000,000 in full to a later date without interest but in any event not later than 1 January 2011.

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

The Fourth Supplemental Agreement

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. Reference is also made to the announcements of the Company dated 31 March 2009, 2 April 2009 and 29 June 2009 regarding the extension of the Long Stop Date (the “Extension Announcements”) in connection with the acquisition of the Target Company. Unless otherwise defined, terms used herein shall have the same meanings as those defined in the Circular and the Extension Announcements.

As disclosed in the Extension Announcements, the Group entered into the Second Supplemental Agreement and the Third Supplemental Agreement (the “Extension Agreements”) with the Vendors on 31 March 2009 and 29 June 2009 respectively to extend the Long Stop Date for completion of the Second, the Third and the Fourth Tranches in relation to the Acquisition to 30 June 2009 and 31 December 2009 respectively.

Since June 2009, the Group and the Vendors have not yet concluded any revised terms for the settlement of the consideration for, and completion timetable in relation to the aforesaid uncompleted tranches under, the Agreement. As such, the Group and the Vendors, on 17 December 2009, entered into the fourth supplemental agreement (the “Fourth Supplemental Agreement”) to further extend the Long Stop Date by another six months to 30 June 2010 in order to give additional time for the parties to the Agreement to explore any opportunity to arrive any revised terms for the settlement of the consideration for, and completion timetable in relation to the uncompleted tranches, under the Agreement.

In addition, a wholly-owned subsidiary of the Target Company, being the subject matter of the Acquisition, had served a writ against its sino partner in the PRC in December 2008 and the legal proceedings are still in progress. Details of the lawsuit are set out in the annual report of the Company for the year ended 31 December 2008 and the interim report of the Company for the six months ended 30 June 2009. The Company will make announcement to update its Shareholders in this respect as and when it is appropriate.

As mentioned in the Extension Announcements, the Deferred Interest of approximately RMB22.9 million (equivalent to approximately HK\$25.9 million) is payable by the Group to the Vendors under the terms of the Agreement due to the failure to complete the Second Tranche and the Third Tranche on their respective original expected completion dates. No Deferred Interest is required to be paid in respect of the Fourth Tranche according to the terms of the Agreement. For the avoidance of doubt, despite the extension of the Long Stop Date pursuant to the Extension Agreements and the Fourth Supplemental Agreement, no additional Deferred Interest shall be chargeable for the period from 1 April 2009 to 30 June 2010, both days inclusive.

The Directors consider that the entering into of the Fourth Supplemental Agreement to further extend the Long Stop Date to 30 June 2010 is in the interest of the Company and its Shareholders as a whole as the Group are given more time to proceed with the Acquisition while no additional Deferred Interest chargeable for the period from 1 April 2009 to 30 June 2010, both days inclusive.

Other than the extension of the Long Stop Date to 30 June 2010 pursuant to the Fourth Supplemental Agreement, the Directors confirm that all the terms and conditions of the Agreement (as amended by the Extension Agreements and the Fourth Supplemental Agreement) remain valid and binding on the parties thereto.

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

Expiry of the First Convertible Bond and the Letter of Undertaking

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, the First Convertible Bond in the principal amount of HK\$84,000,000 has been issued to the Bondholder as part of consideration for the First Tranche on 17 December 2007. Pursuant to the Agreement, the principal amount of the First Convertible Bond should be payable by 17 December 2009, being the second anniversary of the issue date of the First Convertible Bond. The Company has not received any notice from the Bondholder regarding the exercise of conversion rights attached to the First Convertible Bond. Thus, as at the date of

this announcement, the First Convertible Bond fell due and shall no longer impose potential dilution effect on the shareholding interests of the existing Shareholders. The First Convertible Bond will remain as a liability for the Company in the amount of HK\$84,000,000.

On 17 December 2009, the holder of the First Convertible Bond (the “Bondholder”), provided a letter of undertaking (the “Letter of Undertaking”) to the Company. Pursuant to which, the Bondholder confirms and undertakes to the Company that it has no objection if the Company elects to defer the repayment of the outstanding principal amount of HK\$84,000,000 in full to a later date without interest but in any event not later than 1 January 2011.

The Directors consider that the provision of the Letter of Undertaking by the Bondholder is in the interest of the Company and its Shareholders as a whole as it alleviates the pressure on the cashflow of the Group.

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

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

Hong Kong, 17 December 2009

As at the date of this announcement, (i) Mr. Ho Kam Hung is the executive Director; (ii) Mr. Young Kwok Sui is the non-executive Director; and (iii) Mr. Lawrence K. Tam, Ms. Wong Miu Ting, Ivy and Mr. Wong Kui Fai are the independent non-executive Directors.