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**ZHONG HUA INTERNATIONAL HOLDINGS LIMITED**

**中華國際控股有限公司**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 1064)**

## **SUBSCRIPTION AND ISSUE OF NEW SHARES UNDER THE GENERAL MANDATE**

### **Subscription**

On 15 April 2020, the Company (as issuer) entered into the Subscription Agreement with the Subscriber in respect of 108,000,000 Subscription Shares at the Subscription Price of HK\$0.15 per Share.

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

The 108,000,000 Subscription Shares represent (i) approximately 17.8% of the existing issued share capital of the Company as at the date of this announcement; and (ii) approximately 15.1% of the issued share capital of the Company as enlarged by the issue of the Subscription Shares (assuming that there is no change in the issued share capital of the Company from the date of this announcement to the completion of the Subscription save for the issue of the Subscription Shares).

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

The net proceeds of the Subscription will be approximately HK\$16 million and are intended to be applied as HK\$12 million towards to the re-development costs of the development project in Guangzhou, China and the balance of approximately HK\$4 million as general working capital of the Group.

### **General Mandate**

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

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

### **Warning**

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

On 15 April 2020 (after trading hours), the Company (as issuer) entered into the Subscription Agreement with the Subscriber in respect of subscription and issue of 108,000,000 Subscription Shares at the Subscription Price of HK\$0.15 per Share.

## **THE SUBSCRIPTION**

Pursuant to the Subscription Agreement, the Subscriber agrees to subscribe for 108,000,000 Subscription Shares at the Subscription Price of HK\$0.15 per Share.

### **Subscription Shares**

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

The 108,000,000 Subscription Shares represent (i) approximately 17.8% of the existing issued share capital of the Company as at the date of this announcement;

and (ii) approximately 15.1% of the issued share capital of the Company as enlarged by the issue of the Subscription Shares (assuming that there is no change in the issued share capital of the Company from the date of this announcement to the completion of the Subscription save for the issue of the Subscription Shares).

### **Rights of the Subscription Shares**

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

### **The Subscription Price**

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

1. a discount of approximately 13.3% to the closing price of HK\$0.173 per Share as quoted on the Stock Exchange on 14 April 2020, being the Last Trading Day;
2. a discount of approximately 13.3% to the closing price of HK\$0.173 per Share as quoted on the Stock Exchange on 15 April 2020, the date when the Subscription Price was fixed;
3. a discount of approximately 14.3% to the average of the closing prices of approximately HK\$0.175 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the date when the Subscription Price was fixed; and
4. a discount of approximately 16.2% to the average of the closing prices of approximately HK\$0.179 per Share as quoted on the Stock Exchange for the last ten consecutive trading days up to and including the Last Trading Day.

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

### **Non-Disposal Restriction**

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

## **Conditions**

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

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

The Subscriber may waive any conditions, except (i) which may not be waived by any Party to the Subscription Agreement (or such later date as might be agreed between the parties thereto). In the event the conditions are not fulfilled or waived by 29 May 2020, the Subscription Agreement shall be terminated.

## **Completion**

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

## **Termination**

If at any time before the Completion Date:

- (i) there is any material breach of any of the representations and warranties as set out in the Subscription Agreement by the Subscriber or the Company or any event has occurred or any matter has arisen which would render any of such representations and warranties untrue or incorrect in any material respect; or
- (ii) there has been a material breach by the Subscriber or the Company of any other provision of this Agreement, then the non-defaulting party may terminate the Subscription Agreement without liability to the other party.

## **WARNING**

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

## **GENERAL MANDATE TO ISSUE THE SUBSCRIPTION SHARES**

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

## **APPLICATION FOR LISTING**

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

## **EQUITY FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS**

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

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

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

The gross proceeds of the Subscription will be HK\$16.2 million. The net proceeds (after deducting all applicable costs and expenses of the Subscription) of approximately HK\$16 million from the Subscription are intended to be applied as HK\$12 million towards to the re-development costs of the development project in Guangzhou, China and the balance of approximately HK\$4 million as general working capital purposes of the Group. The net price of each Subscription Share

will be approximately HK\$0.15.

## EFFECTS ON SHAREHOLDING STRUCTURE OF THE COMPANY

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

	Immediately before the Subscription		Immediately after the Subscription	
	Shares	%	Shares	%
<b><u>Substantial Shareholders</u></b>				
<b>Ho Family and his associates</b>				
EC Fair Limited <sup>1</sup>	87,120,000	14.4	87,120,000	12.2
High Rank Enterprises Limited <sup>2</sup>	12,680,000	2.0	12,680,000	1.8
Morcambe Corporation <sup>3</sup>	10,800,000	1.8	10,800,000	1.5
Morgan Estate Assets Limited <sup>4</sup>	5,800,000	1.0	5,800,000	0.8
Sub-total	<u>116,400,000</u>	<u>19.2</u>	<u>116,400,000</u>	<u>16.3</u>
Strong Hero Holdings Limited <sup>5</sup>	100,000,000	16.5	100,000,000	14.0
The Subscriber	-	0.0	108,000,000	15.1
<b>Sub-Total</b>	<b><u>216,400,000</u></b>	<b><u>35.7</u></b>	<b><u>324,400,000</u></b>	<b><u>45.4</u></b>
<b><u>Other Directors</u></b>	-	<b>0.0</b>	-	<b>0.0</b>
<b><u>Public Shareholders</u></b>				
Other Shareholders	<u>389,216,520</u>	<u>64.3</u>	<u>389,216,520</u>	<u>54.6</u>
<b>Total Issued Shares</b>	<b><u>605,616,520</u></b>	<b><u>100.0</u></b>	<b><u>713,616,520</u></b>	<b><u>100.0</u></b>

Notes:

1. EC Fair Limited is wholly-owned by Ho Pak Hung, Ho Tsam Hung and Ho Kam Hung.
2. Ho Kam Hung (a Director), Ho Pak Hung (a former Director) and Ho Tsam Hung (another former Director) jointly own approximately 94.7% of the issued share capital of High Rank Enterprises Limited. Ho Pak Hung, Ho Tsam Hung and Ho Kam Hung are brotherhood.
3. Morcambe Corporation is wholly-owned by Ho Kam Hung, a Director.

4. Morgan Estate Assets Limited is wholly-owned by Ho Tsam Hung, a former Director.
5. Strong Hero Holdings Limited is wholly-owned by Xie Xiaoxiang.

## **INFORMATION ON THE COMPANY AND THE SUBSCRIBER**

The Company is an investment holding company. Its subsidiaries are principally engaged in property development, investment and management businesses in Mainland China and have two property interests, one in Chongqing and the other in Guangzhou. For the year ended 31 December 2018, the revenue and profit after tax of the Group were approximately HK\$51.3 million (2017: HK\$39.3 million) and HK\$50.3 million (2017: HK\$96.8 million) (*all are audited figures*), respectively. As at 31 December 2019, the total net assets of the Group were approximately HK\$2,914.9 million (*figure unaudited*).

The Subscriber is a single purpose investment vehicle for the purpose of holding the Subscription Shares and is indirectly wholly-owned by 新疆光實含弘股權投資管理有限公司 (Xinjiang Guangshi Hanhong Equity Investment Management Co., Ltd), which is a limited liability company (natural persons or corporate) established in China and is jointly controlled by Messrs. YANG Yongsheng, WANG Daxiao and JIA Zhu.

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

## **DEFINITIONS**

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

AGM	the annual general meeting of the Company held on 18 June 2019 has the meaning ascribed to it under the Listing Rules
Associate(s) Company	has the meaning ascribed to it under the Listing Rules Zhong Hua International Holdings Limited, a company

	incorporated in Bermuda with limited liability and the shares of which are listed on the Stock Exchange (stock code: 1064)
Completion Date	the second business day after fulfillment of the Conditions (or such other date as the Company and the Subscriber may agree)
Conditions	the conditions to the completion of the Subscription Agreement Directors the directors of the Company
General Mandate	the general mandate granted to the Directors pursuant to an ordinary resolution of the Company passed at the AGM to issue, allot and deal with up to 20% of the then issued share capital of the Company as at the date of the AGM
Group	the Company and its subsidiaries
HK\$	Hong Kong dollars, the lawful currency of Hong Kong
Hong Kong	the Hong Kong Special Administrative Region of the People's Republic of China
Last Trading Day	14 April 2020, being the trading date immediately prior to the date of the Subscription Agreement
Listing Rules	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
Subscriber	Link Tide Investments Limited, a company incorporated in the British Virgin Islands
Subscription	the subscription for the Subscription Shares by the Subscriber pursuant to the terms and conditions of the Subscription Agreement
Subscription Agreement	the subscription agreement dated the date of this Agreement and entered into between the Company (as issuer) and the Subscriber



Subscription Price	HK\$0.15 per Subscription Share
Subscription Shares	108,000,000 new Shares
Share(s)	ordinary share(s) of par value of HK\$0.025 each in the share capital of the Company
Shareholder(s)	holder(s) of the Shares
Share Option Scheme	the employee share option scheme adopted by the Company on 19 December 2012
Stock Exchange	The Stock Exchange of Hong Kong Limited
%	per cent.

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

Hong Kong, 15 April 2020

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