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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)

VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION; PLACING OF NEW SHARES PURSUANT TO GENERAL MANDATE; AND RESUMPTION OF TRADING

Financial Adviser to Zhong Hua International Holdings Limited



Optima Capital Limited

THE ACQUISITION

The Board announced that on 9 October 2007, the Group entered into a sale and purchase agreement (as amended on 26 October 2007) with the Vendors, pursuant to which, amongst other things, the Vendors agreed to sell and the Purchaser agreed to acquire the entire issued share capital of the Target Company at a consideration of RMB1,814,800,000 (equivalent to approximately HK\$1,880,000,000). The principal asset held by the Target Company is the entire equity interest of Guangzhou Zheng Da, which in turn holds the Guangzhou Property. The Guangzhou Property comprises three contiguous land parcels located at Yuexiu District, Guangzhou, the PRC.

By virtue of Ho Family's interests in the Vendors and the Company, the Acquisition constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. Given that certain of the applicable percentage ratios exceed 100%, the Acquisition also constitutes a very substantial acquisition of the Company under the Listing Rules.

Pursuant to the Listing Rules, the Acquisition is conditional on the approval by Independent Shareholders by way of poll at the SGM. Ho Family and its members' respective associates will be required to abstain from voting in relation to the resolution(s) to approve, among other things, the Agreement and the transactions contemplated thereunder (including the issue of the Consideration Shares, the Convertible Bonds and the Conversion Shares) at the SGM.

PLACING OF NEW SHARES UNDER GENERAL MANDATE

On 9 October 2007, the Company entered into the Placing Agreement with the Placing Agent in relation to a best-efforts placing of an aggregate of 145,000,000 Placing Shares at the price of HK\$0.25 per Share.

The net proceeds from the Placing in all 145,000,000 Placing Shares are estimated to be approximately HK\$36.1 million and will be used to finance part of the Consideration of the Acquisition.

GENERAL

A circular containing, among others, details of the Acquisition, a letter of advice from the independent board committee of the Company to the Independent Shareholders, a letter of advice from the independent financial adviser to the independent board committee of the Company and the Independent Shareholders on the Acquisition, an accountants' report of the Target Company, a valuation report of the Guangdong Property, and notice of the SGM will be dispatched to the Shareholders as soon as practicable.

SUSPENSION AND RESUMPTION OF TRADING

At the request of the Company, trading in the Shares was suspended at 9:30 a.m. on 10 October 2007 pending the release of this announcement. An application has been made to the Stock Exchange for the resumption of trading in the Shares with effect from 9:30 a.m. on 29 October 2007.

THE ACQUISITION

The Agreement

Parties:

- Vendors:
- (i) Paton Bay Limited, the entire issued capital of which is wholly owned by Ho Kam Hung, Ho Tsam Hung and Ho Pak Hung. The principal business activity of Paton Bay Limited is investment holding.
 - (ii) Clear Smart Group Limited, the entire issued capital of which is wholly owned by Ho Kam Hung, Ho Tsam Hung and Ho Pak Hung. Clear Smart is principally engaged in investment holding.
- Purchaser: Hero Master Group Limited, the entire issued capital of which is indirectly wholly owned by the Company
- Listed issuer: The Company
- Guarantors: Ho Kam Hung, Ho Tsam Hung and Ho Pak Hung

Ho Kam Hung, Ho Tsam Hung and Ho Pak Hung are brothers. Ho Kam Hung and Ho Tsam Hung are executive Directors. The guarantors jointly and severally, unconditionally and irrevocably, have undertaken to the Purchaser to procure the performance by the Vendors of all their obligations under the Agreement.

Assets to be acquired

Pursuant to the Agreement, the Vendors agreed to sell and the Purchaser agreed to acquire the Sale Shares, being the entire issued share capital of the Target Company. The principal asset held by the Target Company is the entire equity interest of Guangzhou Zheng Da, which in turn holds the Guangzhou Property. The Guangzhou Property comprises a three contiguous land parcels located at Yuexiu District, Guangzhou, the PRC. Further information on the Guangzhou Property is set out in the section headed “Information on the Target Group” below.

Paton Bay Limited is currently interested in 25% of the issued share capital of the Target Company while the remaining 75% interest is directly held by Clear Smart. Upon Completion, the Company will own the Sale Shares representing 100% of the issued share capital of the Target Company.

Consideration

The aggregate Consideration of RMB1,814,800,000 (equivalent to approximately HK\$1,880,000,000) payable by the Company to the Vendors has been arrived at after arm’s length negotiations between the Company and the Vendors with reference to the unaudited consolidated net asset value of the Target Company taking into account the valuation by Vigers of the Guangzhou Property as further discussed in the section headed “Information on Target Group” below. The Directors consider that the Consideration is fair and reasonable.

The Acquisition is to be completed in four tranches. The consideration for the First Tranche is RMB453,700,000 (equivalent to HK\$470,000,000) which is to be satisfied at the completion of the First Tranche as follows:

- (i) by the issue of 243,800,000 Consideration Shares to the Vendors (or their designated nominee) at an issue price of HK\$0.25 per Consideration Share;
- (ii) by the procurement of the issue of a Convertible Bond or Convertible Bonds in the aggregate principal amount of HK\$84,000,000 to the Vendors (or their designated nominee);
- (iii) in cash of HK\$225,050,000 (or the equivalent amount in RMB); and
- (iv) a promissory note or notes issued by the Company to the Vendors for HK\$100,000,000 in aggregate (or the equivalent amount in RMB) in the agreed form.

The consideration for the Second Tranche is RMB471,848,000 (or equivalent to approximately HK\$488,800,000) which will be satisfied at the completion of the Second Tranche as follows:

- (i) the issuance of a Convertible Bond or Convertible Bonds in the aggregate principal amount of HK\$244,440,000; and
- (ii) the balance to be settled by way of cash and/or promissory notes in the agreed form.

The consideration for the Third Tranche is RMB435,552,000 (or equivalent to approximately HK\$451,200,000) which will be satisfied at the completion of Third Tranche as follows:

- (i) the issuance of a Convertible Bond or Convertible Bonds in the aggregate principal amount of HK\$225,680,000; and

(ii) the balance to be settled by way of cash and/or promissory notes in the agreed form.

The consideration for the Fourth Tranche is RMB453,700,000 (or equivalent to approximately HK\$470,000,000) which will be satisfied at the completion of the Fourth Tranche as follows:

(i) the issuance of a Convertible Bond or Convertible Bond in the aggregate principal amount of HK\$235,200,000; and

(ii) the balance to be settled by way of cash and/or promissory notes in the agreed form.

The cash portion of the consideration for the First Tranche will be satisfied by the internal resources of the Group and the proceeds from the Placing. Further information on the Placing is set out in the section headed "Placing of New Shares" below. The cash portion of the consideration for the Second Tranche, the Third Tranche and the Fourth Tranche will be satisfied by further equity and/or debt fund raising of the Company. Further announcements will be made by the Company as and when appropriate.

Adjustment to the Consideration

The Consideration is to be adjusted on a dollar-for-dollar basis if the audited consolidated net asset value of the Target Group as at 30 June 2007 is not exactly RMB1,814,800,000. In the event of a shortfall, there will be a reduction in the cash portion of the Consideration for each of the First Tranche, the Second Tranche, the Third Tranche and the Fourth Tranche by a percentage equal to the percentage that Sale Shares which are the subject of the relevant Tranche as divided by the total Sale Shares. The accountants' report of the Target Group containing the audited consolidated net asset value of the Target Group to be used as basis for adjustment will be included in the circular of the Company to be dispatched to the Shareholders.

Principal terms of the Convertible Bonds

Set out below are the principal terms of the Convertible Bonds to be issued by the Company under the Agreement:

Principal amount: Up to HK\$789,320,000 in aggregate.

Maturity Date: The outstanding principal amount of the Convertible Bonds will be repaid by the second anniversary of the issue date of the relevant Convertible Bonds.

Interest: The Convertible Bonds will be interest free.

Conversion period: The period commencing on the date of issue of the Convertible Bonds and up to and excluding 7 days prior to the maturity date.

Conversion: Each of the Bondholders shall have the right to convert, on any business day commencing on and up to and including the date which is 7 days prior to the Maturity Date, the whole or any part (in an amount of HK\$1,000,000 or integral multiple thereof, or if the entire outstanding principal amount at the relevant time is less than the authorised denomination, the entire outstanding principal amount) of the principal amount of the Convertible Bonds into Shares at the then prevailing conversion price.

- Early redemption:** The Company may at any time and from time to time redeem the whole or part (in an amount of HK\$1,000,000 or integral multiple thereof, or if the entire outstanding principal amount at the relevant time is less than the authorised denomination, the entire outstanding principal amount) of the then outstanding principal amount of the Convertible Bonds at an amount equal to 105% of the principal amount of the Convertible Bonds.
- Listing:** No application will be made for the listing of the Convertible Bonds on any stock exchange. Application will be made for the listing of and permission to deal in the Conversion Shares on the Stock Exchange.
- Conversion Shares:** On the basis of the principal amount of HK\$789,320,000 and the initial conversion price of HK\$0.28 per Share, a total of 2,819,000,000 Conversion Shares will be issued upon full conversion of the Convertible Bonds.
- The Conversion Shares will (subject to adjustment) represent 363.6% of the existing issued shares of the Company, or 76.9% of the issued shares of the Company as enlarged by the issue of the Placing Shares and Conversion Shares.
- Transferability:** The Convertible Bonds will not be assignable or transferable except with the prior written consent of the Company. Save as aforesaid, there will be no other restrictions on the sale of the Convertible Bonds and the Conversion Shares.
- Voting:** A holder of Convertible Bonds shall not be entitled to receive notices of, attend or vote at any meetings of the Company by reason only of being a holder of a Convertible Bond.
- Ranking:** The Conversion Shares will rank *pari passu* in all respects with all the Shares in issue at the date on which the conversion rights attaching to the Convertible Bonds are exercised.
- Restriction on conversion :** The conversion right attaching to the Convertible Bonds will not be capable of exercise by the Bondholder if and to the extent the Bondholder and parties acting in concert with it (within the meaning under the Takeovers Code) will at the material time beneficially hold 30% (or such percentage as may from time to time be specified in the Takeovers Code as being the level for triggering a mandatory general offer) or more of the then enlarged issued share capital of the Company at the relevant date of conversion of the relevant Convertible Bond.

Conversion price of Conversion Shares

The initial conversion price of HK\$0.28 per Share was determined after arm's length negotiations between the Company and the Vendors with reference to the prevailing market price of the Shares. The conversion price represents:

- (i) the closing price of HK\$0.28 per Share as quoted on the Stock Exchange on 9 October 2007, being the last full trading day prior to the suspension of trading in the Shares pending the release of this announcement;

- (ii) the average closing price of HK\$0.28 per Share as quoted on the Stock Exchange over the last five trading days up to and including 9 October 2007; and
- (iii) a discount of approximately 6.7% to the average closing price of HK\$0.30 per Share as quoted on the Stock Exchange over the last 30 trading days up to and including 9 October 2007.

The conversion price is subject to customary anti-dilution adjustments on events such as share consolidation, share subdivision, capitalization issue, capital distribution, rights issue and other equity or equity derivative issues.

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

Issue price of Consideration Shares

The issue price of HK\$0.25 per Consideration Share represents:

- (i) a discount of approximately 10.7% to the closing price of HK\$0.28 per Share as quoted on the Stock Exchange on 9 October 2007, being the last full trading day prior to the suspension of trading in the Shares pending the release of this announcement;
- (ii) a discount of approximately 10.7% to the average closing price of HK\$0.28 per Share as quoted on the Stock Exchange over the last five trading days up to and including 9 October 2007; and
- (iii) a discount of approximately 16.6% to the average closing price of HK\$0.30 per Share as quoted on the Stock Exchange over the last 30 trading days up to and including 9 October 2007.

The issue price of the Consideration Shares was negotiated on an arm's length basis between the Company and the Vendors with reference to the prevailing market prices of the Shares. The Consideration Shares will represent approximately 31.5% of the existing issued Shares, and 20.9% of the issued Shares as enlarged by the issue of Consideration Shares and Placing Shares. There is no restriction on dealing in the Consideration Shares. The Directors (including the independent non-executive Directors) consider the terms of issue of the Consideration Shares are fair and reasonable and in the interests of the Company and Shareholders as a whole.

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

Promissory Note

Promissory Note(s) will be issued by the Company to the Vendors or their nominee(s) at completion of the First Tranche (and if applicable, the Second Tranche, the Third Tranche and the Fourth Tranche) as part of the Consideration. The principal terms of the Promissory Notes are as follows:-

Principal sum: HK\$100,000,000 for the First Tranche and additional sum of up to the equivalent of the balance of the Consideration which is not satisfied by the Convertible Bonds and cash.

- Repayment: The principal sum is to be repaid in full 15 months from the date of issue of the relevant Promissory Notes.
- Interest: 4% per annum, payable on a quarterly basis.
- Listing: No application will be made for a listing of the Promissory Notes on the Stock Exchange or any other stock exchange.
- Transfer: The Promissory Notes will be freely transferable.

The terms of the Promissory Notes have been arrived at based on arm's length negotiations between the Company and the Vendors. The Directors consider that the terms of the Promissory Note, including the interest rate (taking account of the prevailing interest rates offered by commercial banks in Hong Kong for commercial loans and/or property mortgage loans) are fair and reasonable.

Conditions precedent

Completion of the Acquisition is conditional upon the satisfaction or waiver of the following conditions:

- (i) a due diligence review of the business, operations and financial position on the Target Group having been completed to the satisfaction of the Purchaser in its sole discretion;
- (ii) the issue of a legal opinion as to Guangzhou Zheng Da and the Guangzhou Property in form and substance satisfactory to the Purchaser by a PRC lawyer approved by the Company which covers, amongst other things, the due incorporation of Guangzhou Zheng Da and its title to the Guangzhou Property;
- (iii) the Listing Committee of the Stock Exchange granting listing of and permission to deal in the Conversion Shares and the Consideration Shares;
- (iv) the Company being satisfied that there has not been any material adverse change (being any change which has a material and adverse effect on the financial position, business or operations) of the Target Group since 30 June 2007;
- (v) the passing by the Independent Shareholders of a resolution to approve the Agreement and the transactions contemplated thereby in accordance with the Listing Rules;
- (vi) the Stock Exchange not having indicated that it will treat (a) the transactions contemplated under the Agreement as a "reverse takeover" under Rule 14.06(6) of the Listing Rules and/or (b) the Company as a new listing applicant under Rule 14.54 of the Listing Rules;
- (vii) the issue and allotment of 145,000,000 Placing Shares under the Placing;
- (viii) the Securities and Futures Commission not having indicated that it objects to the issue of the Consideration Shares, the Conversion Shares and the Placing Shares;
- (ix) an increase in authorised share capital of the Company (if necessary for the purpose of issuing the Consideration Shares, the Conversion Shares and the Placing Shares); and
- (x) the obtaining of all relevant consents and approvals (whether from governmental authorities or not) required for Completion lawfully to take place.

Only conditions (i), (ii), (iv) and (x) are capable of being waived. If any of the above conditions precedent is not fulfilled or waived by any of the parties to the Agreement, as the case may be, on or before 31 December 2007 or such later time and date as may be agreed in writing between the parties, the Agreement shall lapse automatically.

Completion

Subject to the fulfilment or waiver of the conditions referred to above, completion of the four tranches is to take place as set out below:

Tranches	Interests of the Target Company acquired	Interests of the Target Company held by the Group immediately following completion of each tranche	Completion date of each tranche
First Tranche	25%	25%	31 December 2007
Second Tranche	26%	51%	31 May 2008
Third Tranche	24%	75%	31 October 2008
Fourth Tranche	25%	100%	31 March 2009

Completion of the sale and purchase of the Second, the Third and the Fourth Tranche are conditional upon completion of the sale and purchase of the First Tranche, which is expected to take place no later than 31 December 2007. If the completion of the sale and purchase of the First Tranche does not take place by 31 December 2007 or the entire Agreement does not complete by 31 March 2009, the Agreement shall lapse and the Purchaser shall have no liabilities save for its deferred interest payment obligations. The deferred interest payment is calculated at the rate of 4% p.a. on the relevant Consideration based on the period from the relevant completion date of each tranche as mentioned above and ending on and excluding the day when the relevant Consideration is settled by the Purchaser or 31 March 2009, whichever the earlier.

Upon completion of the First Tranche, Clear Smart and the Purchaser shall enter into a shareholders' agreement, the principal terms of which are set out below:

Shareholders' Agreement

Summarised below are the principal terms of the Shareholders' Agreement to be entered into between Clear Smart and the Purchaser upon completion of the First Tranche:

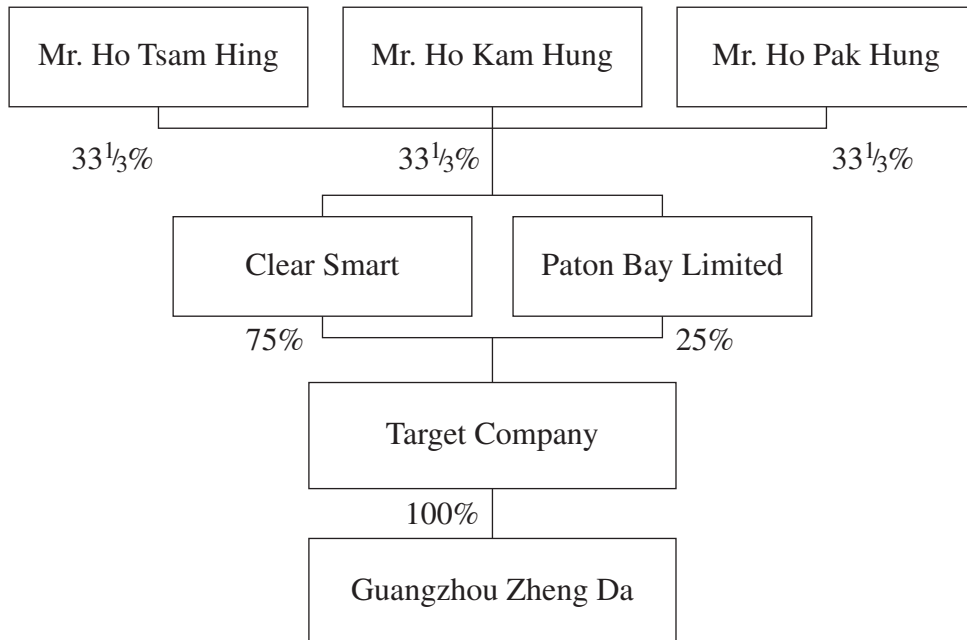
Parties:	Clear Smart and the Purchaser
Shareholders:	Clear Smart and the Purchaser
Subject matter:	Formation and operation of the Target Company

- Share capital: The issued share capital of Target Company is HK\$4.00, divided into 4 shares. Of the 4 shares, 3 shares (equivalent to 75% of the issued share capital of the Target Company) are beneficially owned by the Vendors and 1 share (equivalent to 25% of the issued share capital of the Target Company) will be beneficially owned by the Purchaser upon completion of the First Tranche. Clear Smart and the Purchaser shall procure the Target Company to further issue and allot such number of shares as is necessary in order to facilitate the sale of the Sale Shares for the Second Tranche, Third Tranche and the Fourth Tranche.
- Disposal of shares: There is a first right of refusal for the Purchaser and Clear Smart if either party intends to dispose any interest in the Target Company to third parties.
- Business objective: The business objective of Target Company and its subsidiaries will be confined to operation, development and investment in the Guangzhou Property, and such related activities to be carried on both in Hong Kong and other jurisdictions as the directors of Target Company shall decide.
- Board of directors: For so long as the Purchaser is a shareholder of the Target Company, the Purchaser has the right to appoint 1 director (or such further number of directors so that its pro rata representation on the board is the same as its pro rata shareholding interest in the Target Company at the relevant time). It is the intention of the Company to appoint a third party independent of Ho Family to be the director of the Target Company.
- Working capital and financing: The shareholders of the Target Company shall seek to procure that the Target Company obtains financing without credit support but in the event that the Target Company requires financing which cannot be satisfied by other means, the shareholders of the Target Company shall provide shareholder loans to it pro rata of their respective shareholding proportions.
- In the event that the Company provides any financial assistance (as defined in the Listing Rules) to the Target Company, the Company will comply with the relevant provisions of the Listing Rules accordingly.

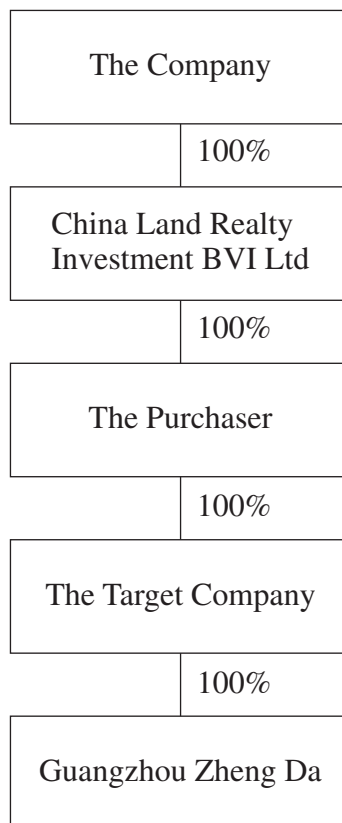
SHAREHOLDING STRUCTURE OF TARGET GROUP

The following diagrams illustrate the shareholding structure of the Target Company immediately before and after Completion.

Immediately before Completion



Immediately after Completion



PLACING OF NEW SHARES

On 9 October 2007, the Company entered into the Placing Agreement with the Placing Agent in respect of the Placing of New Shares.

The Placing Agreement dated 9 October 2007

Parties

Issuer: the Company

Placing Agent: Dao Heng Securities Limited

Placees: The Placing Shares will be placed to not less than six placees which will be independent individual, corporate and/or institutional investors and their ultimate beneficial owners will be third parties independent of the Company and its connected persons. It is expected that no placee will become a substantial Shareholder (as defined in the Listing Rules) immediately following completion of the Placing.

The Company confirms that, to the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, the Placing Agent and its ultimate beneficial owners are third parties independent of the Company and its connected persons.

The Placing Shares

Pursuant to the Placing Agreement, the Placing Agent agreed to place up to 145,000,000 Placing Shares on a best efforts basis. The Placing Shares represent:

- approximately 18.7% of the existing issued share capital of the Company;
- approximately 15.8 % of the issued share capital of the Company as enlarged by the issue of the Placing Shares.

The Placing Shares, when fully paid, will rank pari passu in all respects with the Shares in issue on the date of completion of the Placing.

General Mandate

The Placing Shares will be allotted and issued under the General Mandate which was granted to the Directors pursuant to an ordinary resolution of the Company passed at its annual general meeting on 20 July 2007 to allot and issue up to 146,648,260 new Shares, representing 20% of the aggregate nominal amount of the share capital of the Company in issue on that date. The General Mandate has not previously been utilised prior to the entering into of the Placing Agreement.

Placing Price

The Placing Price is HK\$0.25 per Placing Share and is to be paid in cash on completion of the Placing Agreement. The Placing Price was agreed after arm's length negotiations between the Company and the Placing Agent and represents:

- (i) a discount of approximately 10.7% to the closing price of HK\$0.28 per Share as quoted on the Stock Exchange on 9 October 2007, being the last full trading day prior to the suspension of trading in the Shares pending the release of this announcement;
- (ii) a discount of approximately 10.7% to the average closing price of HK\$0.28 per Share as quoted on the Stock Exchange over the last five trading days up to and including 9 October 2007; and
- (iii) a discount of approximately 16.6% to the average closing price of HK\$0.30 per Share as quoted on the Stock Exchange over the last 30 trading days up to and including 9 October 2007.

The Directors (including the independent non-executive Directors) consider that the Placing Price, which was negotiated on an arm's length basis between the Company and the Placing Agent with reference to the prevailing market prices of the Shares, is fair and reasonable to the Shareholders.

Placing Commission

The placing commission in relation to the Placing is equal to 0.5% of the Placing Price multiplied by the number of the Placing Shares actually placed by the Placing Agent pursuant to the Placing Agreement, which was arrived at after arm's length negotiations between the Company and the Placing Agent. The Directors consider that the placing commission under the Placing Agreement is fair and reasonable.

After taking into account the estimated costs and expenses of approximately HK\$0.2 million in relation to the Placing, the net price per Placing Share is expected to be approximately HK\$0.25 per Share (assuming all 145,000,000 Placing Shares are successfully placed by the Placing Agent).

Termination of the Placing

If, at any time prior to 9:00 a.m. on the date for completion of the Placing Agreement, in the reasonable opinion of the Placing Agent the success of the Placing or the business or financial prospects of the Group would or might be adversely affected by:

- (a) any material breach of any of the representations and warranties set out in the Placing Agreement; or
- (b) any suspension in dealings in or the listing of the Shares on the Stock Exchange for a period of 15 or more trading days (other than in connection with the Placing); or
- (c) any of the following events:
 - (i) the introduction of any new law or regulation or any change in existing laws or regulations or change in the interpretation or application thereof; or

- (ii) the occurrence of any event, development or change (whether or not local, national or international or forming part of a series of events or changes occurring or continuing before, on and/or after the date thereof and including an event or change in relation to or a development of an existing state of affairs) of a political, military, industrial, financial, economic or other nature, whether or not sui generis with any of the foregoing, resulting in a material adverse change in, or which might be expected to result in a material adverse change in, political, economic or stock market conditions; or
 - (iii) the imposition of any moratorium, suspension or material restriction on trading in securities generally on the Stock Exchange occurring due to exceptional financial circumstances or otherwise; or
 - (iv) a change or development involving a prospective change in taxation in Hong Kong or the PRC or the implementation of exchange controls which shall or might materially and adversely affect the Company or its present or prospective shareholders in their capacity as such; or
 - (v) any change or deterioration in the conditions of local, national or international securities markets occurs which, in the absolute opinion of the Placing Agent, is likely to adversely affect the success of, or makes it inexpedient or inadvisable to proceed with, the Placing; or
- (d) any event occurs or any matter arises on or after the date thereof and prior to 12:00 noon on the date of completion of the Placing Agreement which if it had occurred or arisen before the date thereof would have rendered any of such representations and warranties untrue or incorrect in any material respect or there has been a breach by the Company of any other provision of the Placing Agreement,

then and in any such case, the Placing Agent may terminate the Placing Agreement without liability to the Company by giving notice in writing to the Company, provided that such notice is received prior to 9:00 a.m. on the date for completion of the Placing Agreement.

Conditions precedent to the Placing Agreement

Completion of the Placing Agreement is conditional upon the Listing Committee of the Stock Exchange granting the listing of and permission to deal in the Placing Shares.

The Company will apply to the Listing Committee for the approval for the listing of and permission to deal in the Placing Shares.

If the conditions are not fulfilled on or prior to the forty-fifth day after the date of the Placing Agreement, (or such later date as may be agreed between the Company and the Placing Agent), the Placing Agreement will terminate.

Completion of the Placing Agreement

Completion of the Placing Agreement will take place no later than the third Business Day following the satisfaction of the condition above (or such later date as the Company and the Placing Agent shall agree). Further announcement will be made upon completion of the Placing.

Fund raising activities involving issue of securities in the past 12 months

Pursuant to a subscription agreement dated 4 July 2007 entered into between the Company and the subscribers, the subscribers agreed to subscribe for, and the Company agreed to allot and issue to the subscribers 120,000,000 Shares at the price of HK\$0.30 per share.

The net proceeds from the above subscription amounted to approximately HK\$35.7 million and has been used (as intended) as business development and general working of the Group.

Save as disclosed above, the Company had not carried out any fund raising exercise or issued any equity securities in the 12-month period immediately preceding the date of this announcement.

EFFECT ON SHAREHOLDING OF THE COMPANY

The following is a summary of the shareholding in the Company (i) as at the date of this announcement; (ii) upon completion of the Placing; (iii) upon completion of the Acquisition and Placing; and (iv) upon completion of the Acquisition and Placing and assuming full conversion of the Conversion Bond:

Shareholders	As at the date of this Announcement		Upon completion of the Placing		Upon completion of the Acquisition and the Placing		Upon completion of the Acquisition and the Placing and assuming full conversion of the Convertible Bond (note 7)	
	Number of Shares	%	Number of Shares	%	Number of Shares	%	Number of Shares	%
High Rank Enterprises Limited (note 1)	31,700,000	4.1%	31,700,000	3.4%	31,700,000	2.7%	31,700,000	0.8%
On Tai Profits Limited (note 2)	27,000,000	3.5%	27,000,000	2.9%	27,000,000	2.3%	27,000,000	0.7%
Morcambe Corporation (note 3)	27,000,000	3.5%	27,000,000	2.9%	27,000,000	2.3%	27,000,000	0.7%
Morgan Estate Assets Limited (note 4)	14,500,000	1.9%	14,500,000	1.6%	14,500,000	1.2%	14,500,000	0.3%
Vendors	–	0.0%	–	0.0%	243,800,000	20.9%	3,062,800,000	76.9%
Ho Family	100,200,000	12.9%	100,200,000	10.9%	344,000,000	29.6%	3,163,000,000	79.4%
Super Grand Holdings Limited and its associates (note 5)	80,000,000	10.3%	80,000,000	8.7%	80,000,000	6.9%	80,000,000	2.0%
Placees (note 6)	–	0.0%	145,000,000	15.8%	145,000,000	12.5%	145,000,000	3.7%
Other public Shareholders	595,041,300	76.8%	595,041,300	64.7%	595,041,300	51.1%	595,041,300	14.9%
Total	775,241,300	100.0%	920,241,300	100.0%	1,164,041,300	100.0%	3,983,041,300	100.0%
Total public Shareholders	595,041,300	76.8%	820,041,300	89.1%	820,041,300	70.4%	820,041,300	20.6%

Notes:

- Each of Messrs. Ho Tsam Hung and Ho Kam Hung, being the executive Directors, is interested in approximately 31.58% of the issued share capital of High Rank Enterprises Limited. Messrs. Ho Tsam Hung and Ho Kam Hung are brotherhood.
- On Tai Profits Limited is wholly owned by Mr. Ho Pak Hung, a former Director and a brother of Messrs. Ho Tsam Hung and Ho Kam Hung.
- Morcambe Corporation is wholly owned by Mr. Ho Kam Hung, an executive Director.
- Morgan Estate Assets Limited is wholly owned by Mr. Ho Tsam Hung, an executive Director.

5. Super Grand Holdings Limited is wholly owned by Mr. Henry Mong. It will be treated as public Shareholders as long as its shareholding in the Company is below 10%.
6. Pursuant to the Placing Agreement, the Placing Agent shall use all reasonable endeavours to ensure that the placees and their ultimate beneficial owners shall be third parties independent of and not connected with the Company and its connected persons. Therefore, the placees are treated as public Shareholders.
7. This column is for illustration purpose only. The conversion right attaching to the Convertible Bond shall not be capable of exercise by the Vendors if and to the extent the Vendors and parties acting in concert with it (within the meaning under the Takeovers Code) will at the material time beneficially hold 30% (or such percentage as may from time to time be specified in the Takeovers Code as being the level for triggering a mandatory general offer) or more of the then enlarged issued share capital of the Company at the relevant date of conversion of the relevant Convertible Bond. On the basis, the Acquisition will not result in any insufficiency of public float of the Company.
8. The above figures are based on the latest information available to the Company.

INFORMATION ON TARGET GROUP

Target Company

Zheng Da Real Estate Development Co. Ltd was incorporated in Hong Kong with limited liability and is engaged in the business of investment holding. The principal asset held by the Target Company is the entire issued capital of Guangzhou Zheng Da. The total capital injection by Ho Family for setting up of the Target Company was approximately HK\$150 million.

Guangzhou Zheng Da and the Guangzhou Property

Guangzhou Zheng Da is a wholly owned subsidiary of the Target Company. Guangzhou Zheng Da is a Sino-foreign joint venture established in the PRC with limited liability. The principal activities of Guangzhou Zheng Da are the investment, development, sales and rental of properties. Save for the entire interest in Guangzhou Property, Guangzhou Zheng Da has no other material assets. The Guangzhou Property comprises three contiguous land parcels located at to the west of Jiefang Road South; to the north of Daxin Road Lot No. 571; to the south of Yede Road Lot no: 519; and to the east of Xieen Street, Yuexiu District, Guangzhou province, the PRC. The total site area is approximately 16,772.77 sq.m. Guangzhou Zheng Da has been granted land-use rights with the terms of 40 years to be expired in 2039 for commercial, tourism and entertainment uses and 50 years to be expired in 2049 for other uses.

The Guangzhou Property is located in a very prime commercial site and is considered to be one of the well-developed commercial areas in Guangzhou, the capital city in Guangdong Province. Subject to the Company's legal due diligence on the Target Group and the Guangzhou Property, the Company was advised by the Vendors that all required permits and development approval are in place for the Guangzhou Property. Currently, most of the Guangzhou Property is used as open car park whereas the remaining part of the Guangzhou Property is occupied by an old building.

It is planned that the proposed development to be erected on the Guangzhou Property will be a 22-storey composite building for shopping arcade, office and apartment uses with ancillary facilities such as car park and loading & unloading areas provided therein having a total gross floor area of approximately 233,818 sq.m. The existing old building will be demolished and developed as road and greenery space. It is expected the development will commence in 2008 and will complete in 2012. The total investment amount is expected to approximately RMB1,245.6 million (equivalent to approximately HK\$1,290.4 million).

The current market value of the Guangzhou Property in its existing state as valued by Vigers is RMB2,600,000,000 (equivalent to approximately HK\$2,693,600,000) as at 31 August 2007. The texts of the letter and valuation certificate of Vigers on the Guangzhou Property will be included in the Circular.

The unaudited consolidated net profit (which were prepared in accordance with Hong Kong Financial Reporting Standards) attributable to the Target Group for the two financial years ended 31 December 2005 and 2006 and six months ended 30 June 2007 are as follows:

	For the six months ended 30 June 2007	For the year ended 31 December	
	<i>HK\$ million</i>	<i>2006 HK\$ million</i>	<i>2005 HK\$ million</i>
Turnover	–	–	–
Unaudited consolidated net profit			
before taxation and extraordinary items	986.8	652.7	372.1
Unaudited consolidated net profit			
after taxation and extraordinary items	845.0	436.5	248.5

The consolidated net profit for the financial years ended 2005 and 2006 mainly represents the revaluation surplus of the Guangzhou Property.

An accountants' report on the Target Group (prepared in compliance with the requirements of Chapter 4 of the Listing Rules) will be included in the Circular.

Comparison of the Consideration with consolidated net assets of Target Group

Taken account of the revaluation surplus of the Guangzhou Property, the unaudited consolidated net book value of the Target Group as at 30 June 2007 was approximately HK\$1,868.6 million. Accordingly, the 100% interest in the Target Company's consolidated net book value represents a discount of approximately 0.6% to the Consideration.

REASONS FOR THE ACQUISITION

The Group is principally engaged in property investment and the leasing of point-of-sale equipment in the PRC. Currently, the Company holds property investment in Guang Yu Square in Chongqing, the PRC, and the rental income generated from leasing of commercial units continues to grow in recent years and provides a steady stream of income to the Group.

The Directors consider that the Guangzhou Property is a very prime property development project in the PRC, and it is generally expected that the property market in the PRC will continue to grow in coming years. The Directors believe the Guangzhou Property development project will deliver attractive return, both in terms of capital gain and future recurring income from the rental of commercial units and property sales, to the Group in the medium to long term spectrum. The strengthening of the asset base of the Group after the Acquisition would, in the opinion of the Directors, provide a more solid assets backing to support the expansion of the business of the Group.

Looking ahead, the Directors are optimistic about the development potentials and prospects of the PRC property market, and believe that the Acquisition will enable the Group to expand its property investment portfolio in the PRC. In light of the above, the Directors (including independent non-executive Directors) consider that the terms of the Agreement are fair and reasonable so far as the Independent Shareholders are concerned and the Acquisition is in the interests of the Company and the Shareholders as a whole.

REASONS FOR THE PLACING

The Directors considered that the Placing is a preferred means of funding for the following reasons:

- (i) a large amount of bank borrowings to finance the Consideration would adversely effect the gearing ratio of the Company which is not in the interests of the Company or its Shareholders as a whole; and
- (ii) the Placing will broaden the shareholder base and enhance the profile of the Company given that the placees are individual, institutional or professional investors.

The net proceeds from the Placing is approximately HK\$36.1 million and will be used to finance part of the Consideration as set out in the section headed “Consideration” above.

LISTING RULES IMPLICATIONS

As at the date of the Agreement, Ho Family was interested in approximately 12.9% of the issued share capital of the Company and therefore a substantial shareholder of the Company. The Vendors are wholly owned by Ho Family and thus connected persons of the Company. By virtue of Ho Family’s interests in the Vendors and the Company, the Acquisition constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. Given certain of the applicable percentage ratios exceed 100%, the Acquisition also constitutes a very substantial acquisition of the Company under the Listing Rules.

Pursuant to the Listing Rules, the Acquisition is conditional on the approval by Independent Shareholders by way of poll at the SGM. Ho Family and its members’ respective associates will be required to abstain from voting in relation to the resolution(s) to approve, among other things, the Agreement and the transactions contemplated thereunder (including the issue of the Consideration Shares, the Convertible Bonds and the Conversion Shares) at the SGM.

The SGM will be convened at which resolution(s) will be proposed to seek the Independent Shareholders’ approval of, among other things, the Agreement and the transactions contemplated thereunder (including the issue of the Consideration Shares, the Convertible Bonds and the Conversion Shares). An independent board committee will be constituted to advise the Independent Shareholders relating to the Acquisition. An independent financial adviser will be appointed to advise the independent board committee of the Company and the Independent Shareholders in this regard.

GENERAL

A circular containing, among others, details of the Acquisition, a letter of advice from the independent board committee of the Company to the Independent Shareholders, a letter of advice from the independent financial adviser to the independent board committee of the Company and the Independent Shareholders on the Acquisition, an accountants' report of the Target Company, a valuation report of the Guangdong Property, and the notice of the SGM will be dispatched to the Shareholders as soon as practicable.

SUSPENSION AND RESUMPTION OF TRADING

At the request of the Company, trading in the Shares was suspended with effect from 9:30 a.m. on 10 October 2007 pending the release of this announcement. Application has been made by the Company to the Stock Exchange for resumption of trading in the Shares with effect from 9:30 a.m. on 29 October 2007.

DEFINITIONS

Unless the context requires otherwise, the following expressions shall have the following meanings in this announcement:

“Acquisition”	the proposed acquisition by the Company of the Sale Shares pursuant to the Agreement
“Agreement”	the sale and purchase agreement dated 9 October 2007 (and as amended on 26 October 2007) entered into, among others, the Purchaser and the Vendors in respect of the Sale Shares
“associate(s)”	has the meaning ascribed to it in the Listing Rules
“Board”	the board of Directors
“Bondholder(s)”	holder(s) of the Convertible Bonds
“Business Day”	a day (other than a Saturday) on which banks are open for business in Hong Kong
“Circular”	the circular relating to the Acquisition to be despatched to the Shareholders, together with a notice of the SGM
“Clear Smart”	Clear Smart Group Limited, a company incorporated in the British Virgin Islands and is wholly owned by Ho Family
“Company”	Zhong Hua International Holdings Limited, a company incorporated in Bermuda with limited liability whose issued Shares are listed on the Main Board of the Stock Exchange
“Completion”	completion of First Tranche, completion of Second Tranche, completion of Third Tranche or completion of Fourth Tranche, as the context may indicate

“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Consideration”	the aggregate consideration of RMB1,814,800,000 (equivalent to approximately HK\$1,880,000,000) payable by the Company for the Sale Shares under the Agreement
“Consideration Shares”	the 243,800,000 Shares to be allotted and issued at the price of HK\$0.25 per Share, credited as fully paid, to the Vendors (or their designated nominee) on completion of the First Tranche
“Conversion Shares”	the 2,819,000,000 Shares expected to be issued by the Company upon conversion in full by the holders of the Convertible Bonds of the conversion rights attaching to the Convertible Bonds at the initial conversion price of HK\$0.28 per Share (subject to adjustment)
“Convertible Bond(s)”	any one of or, collectively, a series of non-interest bearing convertible bonds to be issued by the Company in part satisfaction of the Consideration. The aggregate principal amount of all such non-interest bearing convertible bonds to be issued is HK\$789.32 million
“Directors”	directors of the Company
“First Tranche”	such number of Sale Shares representing 25% of the Target Company as at the date of Completion
“Fourth Tranche”	such number of Sale Shares not then owned by the Purchaser at the date of Completion
“General Mandate”	the general mandate granted to the Directors to exercise the powers of the Company to allot, issue and deal with shares of the Company up to 20% of the issued share capital of the Company pursuant to the ordinary resolution of the Shareholders passed in the annual general meeting of the Company held on 20 July 2007
“Group”	the Company and its subsidiaries, and following completion of the Agreement means the Group and its then subsidiaries which will include the Target Group
“Guangzhou Property”	the property comprising three parcels of land located to the west of Jiefang Road South; to the north of Daxin Road Lot No. 571; to the south of Yede Road Lot no: 519; and to the east of Xieen Street, Yuexiu District, Guangzhou Province, the PRC
“Guangzhou Zheng Da”	廣州正大房地產開發有限公司, a sino-foreign joint venture company established in the PRC which is wholly owned by the Target Company
“Ho Family”	Ho Kam Hung, Ho Tsam Hung and Ho Pak Hung
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

“Independent Board Committee”	a committee of the Board comprising the three independent non-executive Directors to be formed for the purpose of advising and giving recommendation to the Independent Shareholders regarding the Agreement
“Independent Shareholders”	Shareholders other than Ho Family and its members’ respective associates
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Placing Shares”	145,000,000 new Shares which may be issued by the Company pursuant to the Placing
“PRC”	the People’s Republic of China
“Placing”	the best-efforts placing of Placing Shares by the Placing Agent pursuant to the Placing Agreement
“Placing Agent”	Dao Heng Securities Limited, a corporation licensed to conduct business in type 1 (dealing in securities), type 4 (advising on securities), and type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance
“Placing Agreement”	the conditional subscription agreement dated 9 October 2007 and entered into between the Company and the Placing Agent in relation to the Placing
“Placing Price”	the price of HK\$0.25 per Placing Share
“Promissory Notes”	the promissory notes in the principal amount of HK\$100,000,000 in aggregate to be issued by the Company to the Vendors on completion of the First Tranche and up to an additional sum of the equivalent to the balance of the Consideration which is not satisfied by the Convertible Bonds
“Purchaser”	Hero Master Group Limited, a company incorporated in the British Virgin Islands and the entire capital of which is indirectly wholly owned by the Company
“Sale Shares”	the aggregate ordinary shares of HK\$1 each in the share capital of the Target Company, representing 100% of the issued share capital of the Target Company
“Second Tranche”	such number of Sale Shares representing 26% of the Target Company as at the date of Completion
“SGM”	the special general meeting of the Company to be convened to approve the Acquisition
“Share(s)”	share(s) of HK\$0.20 each in the share capital of the Company

“Shareholder(s)”	holder(s) of Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Target Company”	Zheng Da Real Estate Development Co. Ltd, a company incorporated in Hong Kong with limited liability
“Target Group”	Target Company and its subsidiaries
“Third Tranche”	such number of Sale Shares representing 24% of the Target Company as at the date of Completion
“Vendors”	(i) Paton Bay Limited, a company incorporated in the British Virgin Islands with limited liability; and (ii) Clear Smart
“Vigers”	Vigers Appraisal and Consulting Limited., a firm of professional property surveyors
“RMB”	Renminbi, the lawful currency of the PRC
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“sq.m.”	square metre
“%”	per cent.

This announcement contains translations between RMB and HK\$ at the rate of RMB1.00 = HK\$1.036. The translation should not be taken as a representation that the relevant currency could actually be converted into HK\$ at that rate or at all.

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

Hong Kong, 26 October 2007

As at the date of this announcement, the Board comprises Messrs. Ho Tsam Hung, Ho Kam Hung and Yang Jia Jian who are executive Directors, Ms. Lam Kuo and Mr. Young Kwok Sui as non-executive Directors, and Messrs. Lawrence K. Tam, Wong Miu Ting, Ivy and Wong Kui Fai who are independent non-executive Directors.

* *For identification purpose only*