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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)

PROPOSED SHARE PREMIUM REDUCTION

The Directors intend to put forward a proposal pertaining to the Share Premium Reduction to the Shareholders at the AGM.

A circular containing, among other things, details of the Share Premium Reduction together with a notice of the AGM will be despatched to the Shareholder on 11 May 2022.

SHARE PREMIUM REDUCTION

This announcement is issued pursuant to Rule 13.45 (4) of the Listing Rules.

The Directors intend to seek the Shareholders' approval of the Share Premium Reduction in accordance with the Bye-Laws and applicable laws and regulations of Bermuda at the AGM.

The amount standing to the credit of the Share Premium Account as at the Latest Practicable Date was HK\$412,127,000. It is proposed that an amount of HK\$400,000,000 standing to the credit of the Share Premium Account be cancelled and that the entire credit amount arising from the Share Premium Reduction be applied to offsetting the equivalent debit amount of the Accumulated Losses Account.

REASONS FOR THE SHARE PREMIUM REDUCTION

The Company is subject to the restrictions under the Companies Act on the use of the funds standing to the credit of the Share Premium Account which, in summary, is limited to application towards crediting as fully paid bonus shares to be issued and paying the costs arising on the issue of Shares.

As at the Latest Practicable Date, the amounts to the credit of the Share Premium Account and the Contributable Surplus Account and to the debit of the Accumulated Losses Account were HK\$412,127,000, HK\$547,326,000 and HK\$557,905,000, respectively. The Directors consider it is unnecessary to maintain the Share Premium Account at its current level but prefer to reduce the debit balance of the Accumulated Losses Account to a substantial lower level.

The Share Premium Reduction and the application of the entire credit amount arising therefrom to offsetting the equivalent amount of the Accumulated Losses Account will reduce the accumulated losses of the Company and hence give the Company more flexibility on corporate matters in future. The Directors believe that the Share Premium Reduction is in the interests of the Company and the Shareholders as a whole.

EFFECT OF THE SHARE PREMIUM REDUCTION

The effect of the Share Premium Reduction is illustrated as follows:

The Company	Share Premium Account <i>HK\$'000</i>	Distributable Reserves		Total <i>HK\$'000</i>
		Contributed Surplus Account <i>HK\$'000</i>	Accumulated Losses Account <i>HK\$'000</i>	
As at the Latest Practicable Date	412,127	547,326	(557,905)	401,548
The Share Premium Reduction	(400,000)	-	400,000	-
As at the Effective Date	12,127	547,326	(157,905)	401,548

The implementation of the Share Premium Reduction neither involves a reduction in the authorised or issued share capital of the Company nor does it involve any reduction in the nominal value of the Shares or the trading arrangements concerning the Shares. Save for the expenses incurred by the Company in relation to the Share Premium Reduction, the implementation of the Share Premium Reduction will not, in itself, have any material adverse effect on the underlying assets, liabilities, cash flow or financial position of the Company or the interests of the Shareholders as a whole.

If in case the motion of the Share Premium Reduction does not carry at the AGM, the Company will be unable to declare distribution of dividend to the Shareholders unless and until the aggregate balance of the Contributed Surplus Account and the Accumulated Losses Account shows a credit amount and such amount is sufficient to offsetting the equivalent amount of proposed dividend distribution.

CONDITIONS OF THE SHARE PREMIUM REDUCTION

The Share Premium Reduction is conditional upon:

- (i) the passing of a **special resolution** by the Shareholders to approve the Share Premium Reduction at the AGM; and
- (ii) compliance with section 46(2) of the Companies Act, including (a) the publication of a notice in relation to the Share Premium Reduction in an appointed newspaper in Bermuda on a date not more than 30 days and not less than 15 days before the Effective Date; and (b) the Directors being satisfied that, on the Effective Date, there are no reasonable grounds for believing that the Company is, or after the Share Premium Reduction would be, unable to pay its liabilities as they become due.

Subject to the fulfilment of the above conditions, it is expected that the Share Premium Reduction shall become effective on the Effective Date.

GENERAL

A circular containing, among other things, details of the Share Premium Reduction together with a notice of the AGM will be despatched to the Shareholders on 11 May 2022.

No Shareholder is required to abstain from voting on the resolution proposed to approve the Share Premium Reduction.

DEFINITIONS

“Accumulated Losses Account”	the accumulated losses of the Company
“AGM”	the annual general meeting of the Company to be held at 11:00 a.m. on Tuesday, 14 June 2022, or any adjournment thereof
“Bye-Laws”	the bye-laws of the Company duly adopted by the Company on 19 December 2012
“Company”	Zhong Hua International Holdings Limited, a company incorporated in Bermuda with limited liability and the issued shares of which are listed on the Main Board of the Stock Exchange
“Companies Act”	the Companies Act 1981 of Bermuda, as amended from time to time
“Contributed Surplus Account”	the contributed surplus account of the Company
“Director(s)”	the director(s) of the Company
“Group”	at any time, the Company and its subsidiaries at that time
“Effective Date”	14 June 2022, being the date on which the Share Premium Reduction shall become effective, subject to approval by the Shareholders of the relevant special resolution approving the Share Premium Reduction at the AGM
“Latest Practicable Date”	6 May 2022, being the latest practicable date prior to the printing of this announcement for the purpose of ascertaining information contained herein

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Share Premium Account”	the share premium account of the Company
“Share Premium Reduction”	the proposed reduction of an amount of HK\$400,000,000 standing to the credit of the Share Premium Account as at the Latest Practicable Date to be considered and, if thought fit, passed by the Shareholders at the AGM
“Shareholder(s)”	holder(s) of the Share(s)
“Share(s)”	share(s) of par value of HK\$0.025 each in the capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

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

Hong Kong, 10 May 2022

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.