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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)

PLACING OF NEW SHARES PURSUANT TO GENERAL MANDATE

On 17 June 2008, the Company entered into the Placing Agreement with the Placing Agent in relation to a best-efforts placing of an aggregate of 100,000,000 Placing Shares at the price of HK\$0.23 per Share.

The net proceeds from the Placing in all 100,000,000 Placing Shares are estimated to be approximately HK\$22.7 million and will be used as general working capital purpose.

On 17 June 2008, the Company entered into the Placing Agreement with the Placing Agent in respect of the Placing of 100,000,000 new Shares.

THE PLACING AGREEMENT DATED 17 JUNE 2008

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.

To the best of the Directors' knowledge, information and belief 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 100,000,000 Placing Shares on a best efforts basis, the Placing Shares represent:

- approximately 8.6% of the existing issued share capital of the Company; and
- approximately 7.9% 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 special general meeting on 18 February 2008 to allot and issue up to 232,808,260 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\$0.23 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 14.8% to the closing price of HK\$0.27 per Share as quoted on the Stock Exchange on 17 June 2008, being the last trading day prior to the entering into of the Placing Agreement;
- (ii) a discount of approximately 14.8% to the average closing price of HK\$0.27 per Share as quoted on the Stock Exchange over the last five trading days up to and including 17 June 2008; and
- (iii) a discount of approximately 11.5% to the average closing price of HK\$0.26 per Share as quoted on the Stock Exchange over the last 15 trading days up to and including 17 June 2008.

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.

The gross proceeds from the Placing is HK\$23 million and the aggregate nominal value of the Placing Shares is HK\$20 million (assuming all 100,000,000 Placing Shares are successfully placed by the Placing Agent). After taking into account the estimated costs and expenses of approximately HK\$0.3 million in relation to the Placing, the net price per Placing Share is expected to be approximately HK\$0.227 per Placing Share (assuming all 100,000,000 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 of the Placing Agreement 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 of the Placing Agreement 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 the 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.

The Company may also terminate the Placing Agreement without liability to the Placing Agent by giving written notice to the Placing Agent if, at any time prior to 9:00 a.m. on the date for completion of the Placing Agreement, the Company has not given its written consent to the Placing Agent in relation to the choice of placees and, in the event of such a termination, the Placing Agent shall receive a fee of HK\$50,000.

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 thirtieth 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 second 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.

REASONS FOR THE PLACING

The Group is principally engaged in property investment in the PRC. Currently, the Group holds property investment in Guang Yu Square in Chongqing, the PRC, and the rental income generated from leasing of commercial units continued to grow in recent years and provided a steady stream of income to the Group. As stated in the annual report of the Company for the financial year ended 31 December 2007, the financial performance of the Group has been improved and the Group recorded a profit of HK\$12.8 million for the year ended 31 December 2007, compared to a loss of HK\$145.8 million for the year ended 31 December 2006.

The Board is of the view that the Placing represents a good opportunity to raise additional funds to broaden its capital base. In addition, the Directors considered that the Placing is a preferred means of funding for the following reasons:

- (i) a large amount of bank borrowings 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.

Therefore, the Directors (including the independent non-executive Directors) consider the terms of the Placing Agreement are fair and reasonable so far as the Shareholders are concerned and the Placing is in the interests of the Company and the Shareholders as a whole.

The net proceeds from the Placing is approximately HK\$22.7 million and will be used as general working capital for the Group.

FUND RAISING ACTIVITIES INVOLVING ISSUE OF SECURITIES IN THE PAST 12 MONTHS

Date of announcement	Event	Net proceeds	Intended use of proceeds	Actual use of proceeds up to the date of this announcement
4 July 2007	Subscription of 120,000,000 new Shares	Approximately HK\$35.7 million	For business development and general working capital of the Group	Fully utilised as to approximately HK\$12 million for business development and as to approximately HK\$23.7 million for general working capital for the Group
26 October 2007	Placing of 145,000,000 new shares	Approximately HK\$36.1 million	To finance part of the consideration for the acquisition of 100% equity interests in Zheng Da Real Estate Development Co. Ltd, which in turn holds a property interest comprising three contiguous land parcels located at Yuexiu District, Guangzhou, the PRC, details of which were set out in the announcement and circular of the Company dated 26 October 2007 and 26 November 2007 respectively	The net proceeds of approximately HK\$36.1 million has been fully utilised to finance part of the consideration of the aforesaid acquisition

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

EFFECT ON SHAREHOLDING OF THE COMPANY

The shareholding structure of the Company as at the date of this announcement and immediately after completion of the Placing is as follows:

Shareholders	As at the date of this Announcement		Upon completion of the Placing	
	Number of Shares	%	Number of Shares	%
High Rank Enterprises Limited (<i>note 1</i>)	31,700,000	2.7	31,700,000	2.5
On Tai Profits Limited (<i>note 2</i>)	27,000,000	2.3	27,000,000	2.1
Morcambe Corporation (<i>note 3</i>)	27,000,000	2.3	27,000,000	2.1
Morgan Estate Assets Limited (<i>note 4</i>)	14,500,000	1.2	14,500,000	1.1
Ho Family	<u>217,800,000</u>	<u>18.8</u>	<u>217,800,000</u>	<u>17.3</u>
Total shareholding of Ho Family	318,000,000	27.3	318,000,000	25.1
Yang Jia Jian (<i>note 5</i>)	26,000,000	2.2	26,000,000	2.1
Placees (<i>note 6</i>)	–	0.0	100,000,000	7.9
Other public Shareholders	<u>820,041,300</u>	<u>70.5</u>	<u>820,041,300</u>	<u>64.9</u>
Total	<u><u>1,164,041,300</u></u>	<u><u>100.0</u></u>	<u><u>1,264,041,300</u></u>	<u><u>100.0</u></u>
Total public Shareholders	<u><u>820,041,300</u></u>	<u><u>70.5</u></u>	<u><u>920,041,300</u></u>	<u><u>72.8</u></u>

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 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.
- Mr. Yang Jia Jian is an executive Director.
- 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.
- The above figures are based on the latest information available to the Company.

DEFINITIONS

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

“Board”	the board of Directors
“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
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Directors”	directors of the Company
“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 special general meeting of the Company held on 18 February 2008
“Group”	the Company and its subsidiaries
“Ho Family”	Ho Kam Hung, Ho Tsam Hung and Ho Pak Hung
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“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 17 June 2008 and entered into between the Company and the Placing Agent in relation to the Placing
“Placing Price”	the price of HK\$0.23 per Placing Share
“Placing Shares”	100,000,000 new Shares which may be issued by the Company pursuant to the Placing
“PRC”	the People’s Republic of China
“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
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

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

Hong Kong, 17 June 2008

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*