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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)

ISSUE OF NEW SHARES PURSUANT TO GENERAL MANDATE

On 16 December 2008 after trading hours of the Stock Exchange, the Company entered into the Subscription Agreement with the Subscriber in relation to the Subscription by the Subscriber at the price of HK\$0.6 per Subscription Share of an aggregate of 25,000,000 new Shares.

The Subscription Shares represent approximately 19.78% of the existing issued share capital of the Company and approximately 16.51% of the share capital as enlarged by the issue of the Subscription Shares.

The Subscription Price was determined after arm's length negotiations between the Company and the Subscriber and with reference to the prevailing market prices of the Shares. The Subscription Price represents (i) a discount of approximately 16.67% to the closing price of HK\$0.72 per Share as quoted on the Stock Exchange on 16 December 2008, being the last trading day of the Shares on the date of this announcement; (ii) a discount of approximately 9.64% to the average closing price of approximately HK\$0.664 per Share for the last 5 trading days ended 16 December 2008 and (iii) a discount of approximately 17.92% to the average closing price of approximately HK\$0.731 per Share for the last 10 trading days ended 16 December 2008.

The net proceeds from the Subscription of approximately HK\$14.8 million will be utilised for general working capital of the Group.

On 16 December 2008, the Company entered into the Subscription Agreement with the Subscriber in respect of the issue of the Subscription Shares.

THE SUBSCRIPTION AGREEMENT DATED 16 DECEMBER 2008

Parties

(i)	The issuer of the Subscription Shares:		the Company
(ii)	Name of Subscriber	Guarantor	Number of new Shares to be subscribed
	Strong Hero Holdings Limited	Mr. Xie Xiaoxiang	25,000,000

The Subscriber is an investment holding company and the ultimate beneficial owner of which is Mr Xie Xiaoxiang. To the best of the Directors’ knowledge, information and belief having made all reasonable enquiry, the Subscriber and its ultimate beneficial owner are third parties independent of the Company and connected persons (as defined in the Listing Rules) of the Company. Based on the Directors’ knowledge, Mr Xie is a businessman and has more than 20 years experience in the business for production of aluminium and copper wires in the PRC. The Subscriber and its ultimate beneficial owner are not acting in concert (as defined in the Takeovers Code) with any shareholders of the Company.

The Subscription Shares

Pursuant to the Subscription Agreement, the Subscriber agreed to subscribe for an aggregate of 25,000,000 new Shares, which represents:

- approximately 19.78% of the existing issued share capital of the Company;
- approximately 16.51% of the issued share capital of the Company as enlarged by the issue of the Subscription Shares.

The Subscription Shares are to be issued by the Company under the General Mandate which has not been utilised up to the date of this announcement. Taking into account the effect of the Share Consolidation which had been effective on 11 December 2008, a maximum of 25,280,826 Shares can be issued under the General Mandate. Details of the Share Consolidation were set out in the announcement of the Company dated 31 October 2008. The Subscription Shares, when fully paid, will rank pari passu in all respects with all the Shares in issue on the date of completion of the Subscription.

Subscription Price

The Subscription Price is HK\$0.6 per Subscription Share and is to be paid in cash on completion of the Subscription Agreement. The Subscription Price was agreed after arm's length negotiations between the Company and the Subscribers and represents:

- a discount of approximately 16.67% to the closing price of HK\$0.72 per Share as quoted on the Stock Exchange on 16 December 2008, being the last trading day of the Shares on the date of this announcement;
- a discount of approximately 9.64% to the average closing price of approximately HK\$0.664 per Share as quoted on the Stock Exchange for the last 5 trading days ended 16 December 2008; and
- a discount of approximately 17.92% to the average closing price of approximately HK\$0.731 per Share for the last 10 trading days ended 16 December 2008.

The net price per Subscription Share (based on the amount of net proceeds from the Subscription) is approximately HK\$0.592 per Subscription Share. The nominal value of the Subscription Shares is HK\$2,500,000.

The Directors consider that the Subscription Price, which was negotiated on an arm's length basis between the Company and the Subscriber with reference to the prevailing market prices of the Shares, is fair and reasonable and is in the interests of the Company and the Shareholders as a whole.

Conditions precedent to the Subscription Agreement

Completion of the Subscription Agreement is conditional upon the Listing Committee of the Stock Exchange granting approval for the listing of and permission to deal in the Subscription Shares and such approval not subsequently being revoked prior to the delivery of the share certificate for the Subscription Shares.

The Company will apply to the Listing Committee for the approval for the listing of and permission to deal in the Subscription Shares. If the conditions are not fulfilled on or prior to 15 January 2009 (or such later date as may be agreed between the Company and the Subscriber but in any event not later than 31 January 2009), the Subscription Agreement will terminate.

Completion of the Subscription Agreement

Completion of the Subscription is expected to take place on the second Business Day following the obtaining of the listing approval in respect of the Subscription Shares or such later date as the Company and the Subscriber may agree. It is expected that Completion will take place on or before 15 January 2009.

REASONS FOR THE SUBSCRIPTION AND USE OF PROCEEDS

The total funds to be raised will be HK\$15 million. The net proceeds from the Subscription will amount to approximately HK\$14.8 million and will be used for general working capital of the Group.

The Group is principally engaged in property investment in the Mainland China. The Board is of the view that the Subscription enables the Group to raise additional funds to strengthen its financial position and at the same time broaden its capital base. Taking into account the business and industry background of the beneficial owner of the Subscriber, the Directors consider the Subscription represents a good opportunity to introduce a strategic investor to the Company.

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
17 June 2008	Placing of 100,000,000 new shares (representing 10,000,000 Shares after the Share Consolidation becoming effective)	Approximately HK\$22.7 million	For business development and general working capital of the Group	The net proceeds of approximately HK\$21.5 million has been utilised for business development and approximately HK\$1.2 million has been utilised for general working capital of the Group

Save as disclosed above, the Group has not conducted any fund raising activities involving issue of securities in the 12 months immediately preceding the date of this announcement.

SHAREHOLDING STRUCTURE OF THE COMPANY

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

Shareholders	As at the date of this announcement		Immediately after Completion	
	Number of Shares	%	Number of Shares	%
High Rank Enterprises Limited (Note 1)	3,170,000	2.5	3,170,000	2.1
Morcambe Corporation (Note 2)	2,700,000	2.1	2,700,000	1.8
Morgan Estate Assets Limited (Note 3)	1,450,000	1.1	1,450,000	1.0
EC Fair Limited (Note 4)	21,780,000	17.3	21,780,000	14.3
Ho Family	29,100,000	23.0	29,100,000	19.2
Subscriber	–	–	25,000,000	16.5
Public Shareholders	97,304,130	77.0	97,304,130	64.3
Total	<u>126,404,130</u>	<u>100.0</u>	<u>151,404,130</u>	<u>100.0</u>

Notes:

1. Mr. Ho Kam Hung is an executive Director. Each of Messrs. Ho Pak Hung (a former Director), Ho Tsam Hung (another former Director) and Ho Kam Hung is interested in approximately 31.58% of the issued share capital of High Rank Enterprises Limited. Messrs. Ho Pak Hung, Ho Tsam Hung and Ho Kam Hung are brotherhood.
2. Morcambe Corporation is wholly owned by Mr. Ho Kam Hung, an executive Director.
3. Morgan Estate Assets Limited is wholly owned by Mr. Ho Tsam Hung, a former Director.
4. EC Fair Limited is wholly owned by Messrs. Ho Pak Hung, Ho Tsam Hung and Ho Kam Hung.
5. The above figures are based on the latest information available to the Company.

DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise.

“associate”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Business Day”	a day (other than a Saturday) on which banks are open for business in Hong Kong
“Company”	Zhong Hua International Holdings Limited (stock code: 1064), a company incorporated in Bermuda with limited liability whose issued Shares are listed on the Main Board of the Stock Exchange
“Completion”	completion of the Subscription Agreement
“Directors”	the 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 annual general meeting of the Company held on 28 August 2008
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Ho Family”	Mr. Ho Kam Hung, Mr. Ho Tsam Hung and Mr. Ho Pak Hung. As at the date of this announcement, Mr. Ho Kam Hung is an executive Director and brother of Mr. Ho Tsam Hung and Mr. Ho Pak Hung who are former Directors
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Share(s)”	ordinary share(s) of HK\$0.1 each in the capital of the Company

“Share Consolidation”	the consolidation of every ten (10) issued and unissued shares of HK\$0.01 each in the capital of the Company into one (1) Consolidated Share of HK\$0.10 each as announced by the Company on 31 October 2008
“Shareholders”	holders of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber”	Strong Hero Holdings Limited, a company incorporated in the British Virgin Islands
“Subscription”	the subscription of the Subscription Shares by the Subscriber pursuant to the Subscription Agreement
“Subscription Agreement”	the conditional subscription agreement dated 16 December 2008 and entered into between the Company and the Subscriber in relation to the Subscription
“Subscription Price”	the price of HK\$0.6 per Subscription Share
“Subscription Shares”	25,000,000 new Shares to be issued by the Company pursuant to the Subscription
“Takeovers Code”	The Hong Kong Code on Takeovers and Mergers

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

Hong Kong, 16 December 2008

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

* *For identification purpose only*