



ZHONG HUA INTERNATIONAL HOLDINGS LIMITED

中華國際控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 1064)

UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2007

The Board of Directors (the “Directors”) of Zhong Hua International Holdings Limited (the “Company”) would like to announce the unaudited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 June 2007 (the “Interim Results”), together with the comparative figures for the corresponding period in 2006, as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

		For the six months ended 30 June	
		2007	2006
		(Unaudited)	(Unaudited)
			(Restated)
	Notes	HK\$'000	HK\$'000
CONTINUING OPERATIONS			
Revenue	2	6,577	6,223
Cost of sales		(2,157)	(2,828)
Gross profit		4,420	3,395
Other income		2,095	1,048
Administrative expenses		(7,398)	(7,109)
Other operating expenses, net		(1,875)	–
Finance costs	3	(1,211)	(1,218)
LOSS BEFORE TAX	4	(3,969)	(3,884)
Tax	5	(933)	(1,383)
LOSS FOR THE PERIOD FROM CONTINUING OPERATIONS		(4,902)	(5,267)
DISCONTINUED OPERATION			
Loss for the period from a discontinued operation	2	–	(11,385)
LOSS FOR THE PERIOD		(4,902)	(16,652)

		For the six months ended 30 June	
		2007	2006
		(Unaudited)	(Unaudited)
			(Restated)
<i>Notes</i>		<i>HK\$'000</i>	<i>HK\$'000</i>
ATTRIBUTABLE TO:			
	Equity holders of the Company	(4,902)	(16,652)
	Minority Interests	—	—
		<u> </u>	<u> </u>
		<u>(4,902)</u>	<u>(16,652)</u>
 LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
		7	
	Basic		
	– For loss for the period	<u>HK(0.80) cents</u>	<u>HK(3.21) cents</u>
	– For loss for the period from continuing operations	<u>HK(0.80) cents</u>	<u>HK(1.02) cents</u>
	Diluted		
	– For loss for the period	<u>N/A</u>	<u>N/A</u>
	– For loss for the period from continuing operations	<u>N/A</u>	<u>N/A</u>

CONDENSED CONSOLIDATED BALANCE SHEET

		30 June 2007 (Unaudited) HK\$'000	31 December 2006 (Audited) HK\$'000
	<i>Notes</i>		
NON-CURRENT ASSETS			
Property, plant and equipment		13,036	13,962
Investment properties		298,619	291,800
Intangible assets		6,169	7,861
Deposits and other receivable		40,000	57,953
Pledged deposits		3,522	404
		<hr/>	<hr/>
Total non-current assets		361,346	371,980
CURRENT ASSETS			
Trade receivables	8	32,660	25,954
Prepayments, deposits and other receivables		31,351	13,259
Cash and cash equivalents		191,134	178,602
		<hr/>	<hr/>
Total current assets		255,145	217,815
CURRENT LIABILITIES			
Trade payables	9	(11,526)	(12,649)
Tax payable		(13,311)	(12,039)
Other payables and accruals		(33,767)	(17,187)
Interest-bearing bank and other borrowings		(25,532)	(5,602)
Deferred income		(18,057)	(18,057)
		<hr/>	<hr/>
Total current liabilities		(102,193)	(65,534)
NET CURRENT ASSETS		<hr/>	<hr/>
		152,952	152,281
TOTAL ASSETS LESS CURRENT LIABILITIES		<hr/>	<hr/>
		514,298	524,261
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		(1,824)	(19,941)
Deferred tax liabilities		(51,969)	(51,430)
		<hr/>	<hr/>
Total non-current liabilities		(53,793)	(71,371)
Net assets		<hr/>	<hr/>
		460,505	452,890
CAPITAL AND RESERVES			
Equity attributable to equity holders of the Company			
Issued capital		122,648	122,648
Reserves		337,857	330,242
		<hr/>	<hr/>
Total equity		460,505	452,890
		<hr/>	<hr/>

Notes:

1. SIGNIFICANT ACCOUNTING POLICIES

The condensed consolidated interim financial statements are prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting”. The accounting policies and basis of preparation adopted in the preparation of the interim financial statements are the same as those used in the annual financial statements for the year ended 31 December 2006, except in relation to the following new and revised Hong Kong Financial Reporting Standards (“HKFRSs”, which also include HKASs and Interpretations) that affect the Group and are mandatory for the accounting period beginning on or after 1 January 2007:

HKAS 1 (Amendment)	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC)-Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies
HK(IFRIC)-Int 8	Scope of HKFRS 2
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment

The adoption of the above HKFRSs did not result in material impact on the accounting policies of the Group’s condensed consolidated interim financial statements.

2. SEGMENT INFORMATION

The following table presents revenue and results information for the Group’s business segments.

**For the six months ended 30 June
(Unaudited)**

	Continuing operations						Discontinued operation				Consolidated	
	Property investment		Leasing of equipment		Corporate and others		Total		Telecommunication and other related services		2007	2006
	2007 (Unaudited) HK\$’000	2006 (Unaudited) HK\$’000	2007 (Unaudited) HK\$’000	2006 (Unaudited) HK\$’000	2007 (Unaudited) HK\$’000	2006 (Unaudited) HK\$’000	2007 (Unaudited) HK\$’000	2006 (Unaudited) HK\$’000	2007 (Unaudited) HK\$’000	2006 (Unaudited) HK\$’000	2007 (Unaudited) HK\$’000	2006 (Unaudited) HK\$’000
Segment revenue:												
Sales to external customers	4,603	4,355	1,974	1,868	-	-	6,577	6,223	-	176	6,577	6,399
Other revenue and gains	-	-	-	-	-	-	-	-	-	-	-	-
Total	4,603	4,355	1,974	1,868	-	-	6,577	6,223	-	176	6,577	6,399
Segment results	1,842	4,199	(1,343)	(2,280)	(5,352)	(5,633)	(4,853)	(3,714)	-	(10,016)	(4,853)	(13,730)
Other income							2,095	1,048	-	-	2,095	1,048
Finance costs							(1,211)	(1,218)	-	(1,369)	(1,211)	(2,587)
Loss before tax							(3,969)	(3,884)	-	(11,385)	(3,969)	(15,269)
Tax							(933)	(1,383)	-	-	(933)	(1,383)
Loss for the period							(4,902)	(5,267)	-	(11,385)	(4,902)	(16,652)

No geographical segment information is presented as over 90% of the Group’s revenue is derived from customers based in the Mainland of the People’s Republic of China (“Mainland China”).

3. FINANCE COSTS

	For the six months ended 30 June	
	2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000
Interest on bank loans	1,129	2,411
Interest on finance lease	82	–
Interest on convertible bond	–	176
	<u>1,211</u>	<u>2,587</u>
Attributable to continuing operations	1,211	1,218
Attributable to a discontinued operation	–	1,369
	<u>1,211</u>	<u>2,587</u>

4. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging/(crediting) the following:

	For the six months ended 30 June	
	2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000
Depreciation	1,628	7,315
Amortisation of intangible assets	2,157	2,828
Interest income	(2,050)	(1,013)
Net rental income	(4,603)	(4,355)
Write back of other receivables	–	(575)
	<u>–</u>	<u>(575)</u>

The disclosures presented in this note include those amounts charged/credited in respect of the discontinued operation.

5. TAX

	For the six months ended 30 June	
	2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000
Provision for the period:		
Hong Kong	–	–
Elsewhere	933	1,383
Deferred taxation	–	–
	<u>933</u>	<u>1,383</u>
Attributable to continuing operations	933	1,383
Attributable to a discontinued operation	–	–
	<u>933</u>	<u>1,383</u>

No provision for Hong Kong profits tax has been made as the Group did not generate any taxable profits in Hong Kong during the six months ended 30 June 2007 (the "Period") (2006: Nil).

Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof. The subsidiaries established in Mainland China are subject to income taxes at the rate of 33% (2006: 33%).

6. INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the Period (2006: Nil).

7. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of basic loss per share for the Period is based on the loss attributable to ordinary equity holders of the Company of HK\$4,902,000 (2006: HK\$16,652,000) and the weighted average number of 613,241,300 (2006: 518,103,178) ordinary shares in issue during the Period.

The calculation of basic loss per share from continuing operations for the Period is based on the loss attributable to ordinary equity holders of the Company of HK\$4,902,000 (2006: HK\$5,267,000) and the weighted average number of 613,241,300 (2006: HK\$518,103,178) ordinary shares in issue during the Period.

Diluted loss per share amounts for the six months ended 30 June 2006 and 2007 have not been disclosed as the share options outstanding during these periods had anti-dilutive effects on the basic loss per share for these periods.

Diluted loss per share amounts for the six months ended 30 June 2006 and 2007 from continuing operations have not been disclosed as the share options outstanding during these periods had anti-dilutive effects on the basic loss per share for these periods.

8. TRADE RECEIVABLES

The aged analysis of the trade receivables at the balance sheet date, net of provisions, is as follows:

	30 June 2007 (Unaudited)		31 December 2006 (Audited)	
	HK\$'000	Percentage	HK\$'000	Percentage
Within 6 months	6,554	20	10,027	39
More than 6 months but within 1 year	9,619	29	–	–
More than 1 year but within 2 years	–	–	4,195	16
More than 2 years	16,487	51	11,732	45
	<u>32,660</u>	<u>100</u>	25,954	<u>100</u>
Portion classified as current assets	<u>(32,660)</u>		<u>(25,954)</u>	
Non-current assets	<u>–</u>		<u>–</u>	

The Group generally grants credit terms of 3 to 12 months to the customers.

The age of the Group's trade receivables are based on the date of recognition of turnover and the due date of instalments as stipulated in the sales contracts.

The legal titles of the properties sold are retained by the Group until the contracted amounts and the related expenses of the property have been fully settled.

9. TRADE PAYABLES

An aged analysis of the trade payables at the balance sheet date is as follows:

	30 June 2007 (Unaudited)		31 December 2006 (Audited)	
	HK\$'000	Percentage	HK\$'000	Percentage
Within 6 months	31	1	37	1
More than 6 months but within 1 year	–	–	3,581	28
More than 1 year but within 2 years	2,146	19	–	–
More than 2 years but within 3 years	–	–	84	1
Over 3 years	9,349	80	8,947	70
	<u>11,526</u>	<u>100</u>	<u>12,649</u>	<u>100</u>

The age of Group's trade payables are based on the date of the goods received or services rendered.

10. POST BALANCE SHEET EVENTS

- (a) On 4 July 2007, the Company entered into subscription agreements with two independent subscribers which had conditionally agreed to subscribe for an aggregate of 120 million shares to be issued and allotted by the Company at a subscription price of HK\$0.30 per share. On 17 July 2007, the Company issued and allotted 120 million shares at HK\$0.30 per share resulting in raising net proceeds of approximately HK\$35.7 million, which will be utilised for business development and general working capital of the Group.
- (b) On 31 August 2007, 42,000,000 share options with an exercise price of HK\$0.20 per share were exercised.

11. COMPARATIVE AMOUNTS

Following the disposal of the Group's business of telecommunication and other related services in December 2006, the principal businesses of the Group now mainly comprise of property investment and leasing of equipment, and therefore the presentation of the financial statements has been revised accordingly.

REVIEW OF RESULTS

The Directors would like to report that the Group recorded a turnover of HK\$6,577,000 (30 June 2006: HK\$6,223,000) for the six months ended 30 June 2007 (the "Period"), representing an increase of 6% compared with the corresponding period. Loss attributable to ordinary equity holders of the Company was HK\$4,902,000 (30 June 2006: HK\$16,652,000) for the Period.

REVIEW OF OPERATIONS

The Group's turnover during the Period mainly comprised of rental income generated from the commercial podium in Chongqing, the People's Republic of China (the "PRC") and the leasing of point-of-sale ("POS") equipment in Guangzhou, the PRC.

Property investment

The rental income generated from leasing of the commercial units in Gang Yu Square in Chongqing in the PRC increased in the Period compared with 2006.

The occupancy rate of the square remained satisfactory during the Period. It was expected that the business would continue to generate a steady stream of income to the Group.

Leasing of POS equipment

Since 2003, the Group had engaged in the business of leasing corded and cordless POS equipment in Guangzhou, the PRC. The demand for POS equipment remained steady during the Period. The Group will explore business opportunities for other value added services adhered to the leasing of the POS equipment.

FINANCIAL REVIEW

Liquidity and financial resources

The Group generally financed its businesses with internally generated cash flows and banking facilities during the Period. Cash and bank balances of the Group as at 30 June 2007 amounted to HK\$191,134,000 (31 December 2006: HK\$178,602,000) and pledged deposits of HK\$3,522,000 (31 December 2006: HK\$404,000).

As at 30 June 2007, the Group had outstanding borrowings of approximately HK\$27,356,000 (31 December 2006: HK\$25,543,000) comprising interest-bearing bank loans amounted to HK\$25,000,000 (31 December 2006: HK\$22,933,000) and finance lease payable amounted to HK\$2,356,000 (31 December 2006: HK\$2,610,000). All the Group's interest-bearing bank loans are repayable within one year or on demand. The bank loans as at 30 June 2007 were charged at fixed interest rate (31 December 2006: HK\$nil).

The Group's gearing ratio as at 30 June 2007 was 0.22 (31 December 2006: 0.2), calculated based on the Group's total liabilities, excluding deferred income, of HK\$137,929,000 (31 December 2006: HK\$118,848,000) over total assets of HK\$616,491,000 (31 December 2006: HK\$589,795,000).

Currency structure

The Group had limited exposure to foreign exchange rate fluctuations as most of its transactions, including borrowings, were mainly conducted in Hong Kong dollars or Renminbi and the exchange rates of these currencies were relatively stable throughout the Period.

Pledge of assets

The Group had utilized bank loan facilities amounting to approximately HK\$25,000,000 (31 December 2006: HK\$22,933,000) as at 30 June 2007. The bank loans were supported by certain of the Group's investment properties and a corporate guarantee executed by the Company.

Contingent liabilities

As at 30 June 2007, guarantees given for mortgage loans granted by banks to certain purchasers of the Group's properties amounted to HK\$3,939,000 (31 December 2006: HK\$4,039,000).

EMPLOYEES AND REMUNERATION POLICY

The Group employed about 16 full time staff in Hong Kong, Chongqing and Guangzhou as at 30 June 2007. Employees were remunerated according to the nature of their job and market trend, with built-in merit components incorporated in the annual increment to reward and motivate individual performance. In Chongqing and Guangzhou, the Group provided staff welfare and bonuses to its employees in accordance with the prevailing labour law. In Hong Kong, other staff benefits included medical schemes and Mandatory Provident Fund Schemes.

PROSPECTS

The Group is principally engaged in property investment and leasing of point-of-sale equipment in the PRC. Given that the Group had extensive experience in property development and investment in the PRC since 1992, the Directors consider that they should capitalize their expertise and connections in this area for the Group's future business development. Hence, it is expected that the Group will consolidate its business sectors and formulate a new business direction in the coming year. In this respect, the Directors are optimistic that the continuing economic growth in the PRC will serve to facilitate the business growth of the Group.

CODE ON CORPORATE GOVERNANCE PRACTICE

In the opinion of the Directors, the Company complied with the Code on Corporate Governance Practice (the "Code") as set out in Appendix 14 of the Listing Rules throughout the Period, except for the following deviation:

Code Provision A.4.2

The second part of Code A.4.2 stipulates that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

However, the Chairman of the Board and/or the Managing Director of the Company had retired and voluntarily offered themselves for re-election at general meetings in the past years. The Directors consider that this practice is in line with the spirit of the Code's practice.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company had adopted the Model Code set out in Appendix 10 to the Listing Rules as its code of conduct regarding securities transactions by its directors. Having made specific enquiry of the Directors, the Company confirmed that the Directors had complied with required standard set out in the Model Code throughout the accounting period covered by the interim report.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the Period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company.

REVIEW BY AUDIT COMMITTEE

The Interim Results had been reviewed by the Audit Committee of the Company.

PUBLICATION OF THE INTERIM REPORT FOR THE SIX MONTHS ENDED 30 JUNE 2007

The interim report for the six months ended 30 June 2007 will be despatched to shareholders and will be published on the website of Hong Kong Exchange and Clearing Limited (www.hkex.com.hk) and the website of the Company (www.zhonghuagroup.com) in due course.

By order of the Board
Ho Kam Hung
Executive Director

Hong Kong, 24 September 2007

As at the date of this announcement, the board of directors of the Company comprises: (i) Messrs. Ho Tsam Hung, Ho Kam Hung and Yang Jia Jian as executive directors; (ii) Ms. Lam Kuo and Mr. Young Kwok Sui as non-executive directors; and (iii) Messrs. Lawrence K. Tam, Ms. Wong Miu Ting, Ivy and Mr. Wong Kui Fai as independent non-executive directors.

* *For identification purpose only*