



# ZHONG HUA INTERNATIONAL HOLDINGS LIMITED

## 中華國際控股有限公司\*

(Incorporated in Bermuda with limited liability)

### UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE, 2002

The Board of Directors (the "Directors") of Zhong Hua International Holdings Limited (the "Company") is pleased to announce that the unaudited consolidated results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 June, 2002 (the "Interim Results"), together with the comparative figures for the corresponding period in 2001 as follows:

	Notes	For the six months ended 30 June,	
		2002 (Unaudited) HK\$'000	2001 (Unaudited) HK\$'000
<b>TURNOVER</b>	2	<b>103,418</b>	129,339
Cost of sales		<b>(41,673)</b>	(67,185)
Gross profit		<b>61,745</b>	62,154
Other revenue		<b>718</b>	16,734
Selling and distribution costs		<b>(5,058)</b>	(7,613)
Administrative expenses		<b>(13,189)</b>	(16,273)
Other operating expenses		<b>(10,830)</b>	–
<b>PROFIT FROM OPERATING ACTIVITIES</b>	4	<b>33,386</b>	55,002
Finance costs	5	<b>(1,415)</b>	(1,315)
Share of losses of jointly-controlled entities		<b>(215)</b>	–
<b>PROFIT BEFORE TAX</b>		<b>31,756</b>	53,687
Tax	6	<b>(2,862)</b>	(15,610)
<b>PROFIT BEFORE MINORITY INTERESTS</b>		<b>28,894</b>	38,077
Minority interests		<b>(19,400)</b>	(75)
<b>NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS</b>		<b>9,494</b>	38,002
Interim dividend per share	7	–	0.2 cent
<b>EARNINGS PER SHARE – BASIC</b>	8	<b>0.32 cent</b>	1.28 cents
<b>– DILUTED</b>		<b>0.31 cent</b>	N/A

Notes:

#### 1. REVIEW OF RESULTS

The Interim Results of the Group are unaudited but have been reviewed by the Audit Committee of the Company.

#### 2. TURNOVER

Turnover represents the aggregate of the gross amounts of proceeds from the sale and pre-sale of properties, adjusted to reflect the stage of construction, to the extent that they were not previously recognised, gross rental income and the sale of online English learning courses, after elimination of all significant intra-group transactions, less any applicable turnover taxes.

#### 3. SEGMENTAL INFORMATION

The following table presents revenue and profit information for the Group's business segments.

	Sale and pre-sale of properties		Property investment		Corporate and others		Consolidated	
	For the six months ended 30 June,		For the six months ended 30 June,		For the six months ended 30 June,		For the six months ended 30 June,	
	2002 (Unaudited) HK\$'000	2001 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000	2001 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000	2001 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000	2001 (Unaudited) HK\$'000
Segment revenue:								
Sales to external customers	100,468	127,523	2,763	1,816	187	–	103,418	129,339
Unallocated revenue	–	–	–	–	–	15,752	–	15,752
Total	<u>100,468</u>	<u>127,523</u>	<u>2,763</u>	<u>1,816</u>	<u>187</u>	<u>15,752</u>	<u>103,418</u>	<u>145,091</u>
Segment results	<u>44,182</u>	<u>45,089</u>	<u>1,057</u>	<u>1,112</u>	<u>(11,890)</u>	<u>8,770</u>	<u>33,349</u>	<u>54,971</u>
Interest income							<u>37</u>	<u>31</u>
Profit from operating activities							<u>33,386</u>	<u>55,002</u>
Finance costs							<u>(1,415)</u>	<u>(1,315)</u>
Share of losses of jointly-controlled entities							<u>(215)</u>	<u>–</u>
Profit before tax							<u>31,756</u>	<u>53,687</u>
Tax							<u>(2,862)</u>	<u>(15,610)</u>
Profit before minority interests							<u>28,894</u>	<u>38,077</u>
Minority interests							<u>(19,400)</u>	<u>(75)</u>
Net profit from ordinary activities attributable to shareholders							<u>9,494</u>	<u>38,002</u>

No geographical segment information is presented as over 90% of the Group's revenue and results are derived from customers based in Mainland China.

#### 4. PROFIT FROM OPERATING ACTIVITIES

Profit from operating activities is arrived after charging/ (crediting) the following items:

	For the six months ended 30 June,	
	2002 (Unaudited) HK\$'000	2001 (Unaudited) HK\$'000
Cost of inventories sold	41,673	67,185
Depreciation	684	1,558
Amortisation of goodwill	10,675	–
Interest income	(37)	(31)
Gain on disposal of subsidiaries	–	(15,752)
Net rental income	(2,763)	(1,816)
Profit on sale and pre-sale of properties	<u>(44,182)</u>	<u>(45,089)</u>

#### 5. FINANCE COSTS

	For the six months ended 30 June,	
	2002 (Unaudited) HK\$'000	2001 (Unaudited) HK\$'000
Interest expenses on bank loans wholly repayable within five years	5,310	5,815
Less: Interest capitalised on properties under development	<u>(3,895)</u>	<u>(4,500)</u>
	<u>1,415</u>	<u>1,315</u>

#### 6. TAX

	For the six months ended 30 June,	
	2002 (Unaudited) HK\$'000	2001 (Unaudited) HK\$'000
Provision for the period:		
Hong Kong	–	–
Elsewhere	<u>2,862</u>	<u>15,610</u>
	<u>2,862</u>	<u>15,610</u>

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits in Hong Kong during the six months ended 30 June 2002 (2001: Nil).

Mainland China tax has been calculated on the taxable income of subsidiaries operating in Mainland China at the applicable rates. No provision for deferred tax has been made in respect of accelerated capital allowances as the Directors consider that a liability is not expected to crystallise in the foreseeable future.

#### 7. INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2002 (2001: HK0.2 cent per share).

#### 8. EARNINGS PER SHARE

The calculations of basic and diluted earnings per share are based on the following data:

	For the six months ended 30 June,	
	2002 (Unaudited)	2001 (Unaudited)
Earnings:		
Net profit attributable to shareholders, used in the basic and diluted earnings per share calculations	<b>HK\$9,494,000</b>	HK\$38,002,000
Shares:		
Weighted average number of ordinary shares in issue during the period used in basic earnings per share calculation	<b>2,980,016,725</b>	<u>2,980,016,725</u>
Weighted average number of ordinary shares assumed issued at no consideration on deemed exercise of all share options outstanding during the period	<b>66,472,651</b>	N/A
Weighted average number of ordinary shares in issue during the year used in diluted earnings per share calculation	<b>3,046,489,376</b>	<u>N/A</u>

#### MANAGEMENT DISCUSSION & ANALYSIS

##### REVIEW OF RESULTS

The Directors are pleased to report that the Group recorded a turnover of HK\$103,418,000, net profit from ordinary activities attributable to shareholders of HK\$9,494,000, and basic earning per share of HK0.32 cent for the six months ended 30 June 2002 (the "Period"). These figures represented decreases of approximating 20%, 75% and 75% respectively when compared to a turnover of HK\$129,339,000, net profit from ordinary activities attributable to shareholders of HK\$38,002,000 and basic earning per share of HK1.28 cents for the six months ended 30 June 2001.

##### BUSINESS REVIEW

The Group's turnover in the Period mainly comprised pre-sale of Phase III of the residential units currently under construction and sale of the commercial podiums of Haizhu Peninsula Garden in Guangzhou, the People's Republic of China (the "PRC"), together with rental income generated from the commercial podiums of Gang Yu Square in Chongqing and commercial podiums in Guangzhou.

##### Property development and investment business

The construction of the superstructure of Phase III of Haizhu Peninsula Garden was completed in late 2001 and it is expected the residential units in Phase III will be available in move-in condition in late 2002. Up to 30 June 2002, over 55% of the residential units has been sold.

##### Provision of online English learning services

The Group had commenced the selling of the "GlobalEnglish" learning courses in early 2002 and the results were satisfactory. We had successfully procured several large-scale corporate customers and sub-distributors in the PRC and Hong Kong during the Period and it is expected that the sale of the online English learning courses will continue to increase and generate additional revenue for the Group in the future.

##### Provision of exclusive technology consultancy services

The Group had conducted large-scale marketing campaign to promote the use of phone banking services in Guangzhou in late 2001 and early 2002 and the results were satisfactory. During the Period, service contracts with major telecommunication and media and other companies to serve as their phone banking payment service provider in Guangdong Province excluding Shenzhen had been obtained and it is expected that the technology consultancy fee income will continue to increase in the future.

#### FINANCIAL REVIEW

##### Liquidity and Financial Resources

The Group generally financed its businesses with internally generated cash flows and banking facilities. Cash and bank balances for the Group as at 30 June 2002 amounted to HK\$33,605,000 (31 December 2001: HK\$55,174,000) and pledged deposits of HK\$2,857,000 (31 December 2001: HK\$4,071,000) while interest-bearing bank loans and borrowings for the Group amounted to HK\$216,498,000 (31 December 2001: HK\$193,451,000) of which 97%, 2% and 1% respectively are repayable within one year or on demand, in the second year and in the third to fifth years, inclusive. An amount of HK\$204,798,000 bank loans and borrowings are charged at fixed interest rates.

The Group's gearing ratio as at 30 June 2002 was 0.34 (31 December 2001: 0.33), calculated based on the Group's total debts of HK\$600,202,000 (31 December 2001: HK\$574,620,000) over total assets of HK\$1,746,013,000 (31 December 2001: HK\$1,719,354,000).

##### Currency Structure

The Group had limited exposure to foreign exchange rate fluctuations as most of its transactions, including borrowings, were mainly denominated 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 HK\$216,498,000 (31 December 2001: HK\$193,451,000) as at 30 June 2002. The bank loans were supported by certain of the Group's investment properties, properties under development and completed properties for sales and a corporate guarantee executed by the Company.

##### Contingent Liabilities

As at 30 June 2002, guarantees given for mortgage loans granted by banks to certain purchasers of the Group's properties amounted to HK\$355,204,000 (31 December 2001: HK\$353,791,000).

##### Employee and Remuneration Policy

The Group employed approximately 93 full time staff in Hong Kong and the PRC as at 30 June 2002. Employees are 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 the PRC, the Group provides staff welfare and bonuses to its employees in accordance with the prevailing labour law. In Hong Kong, other staff benefits include medical schemes, mandatory provident fund schemes and employee share option scheme.

#### PROSPECTS

The Directors are cautioned with respect to the declining returns in the market of luxurious residential apartments in the urban area of Guangzhou but will continue to evaluate the investment opportunities in other cities in the PRC.

The Directors are however optimistic that significant economic growth will be generated upon entering the World Trade Organisation and the 2008 Beijing Olympic Games in the PRC and therefore creating numerous investment opportunities. The Group will continue to evaluate attractive investment opportunities with aims to maximize shareholders' return.

#### CODE OF BEST PRACTICE

In the opinion of the Directors, the Company has complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules throughout the Period. The Company appointed three non-executive directors of the Company as members of the Audit Committee. It was established on 11 May 1999 to assist the Board of Directors in fulfilling its duties by reviewing and supervising the Company's financial reporting process and internal controls.

#### 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.

#### DISCLOSURE OF INFORMATION ON THE WEBSITE OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

A detailed Interim Results announcement containing all the information required by paragraphs 46(1) to 46(6) of Appendix 16 to the Listing Rules will be published on the website of the Stock Exchange in due course.

On behalf of the Board  
**Ho Tsam Hung**  
Chairman

Hong Kong, 24 September 2002

\* for identification purpose only