



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, 2003

The Board of Directors (the “Directors”) of Zhong Hua International Holdings Limited (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 June, 2003 (the “Interim Results”), together with the comparative figures for the corresponding period in 2002 as follows:

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

		For the six months ended 30 June,	
		2003	2002
		(Unaudited)	(Unaudited)
	Notes	HK\$'000	HK\$'000
TURNOVER	2	2,847	103,418
Cost of sales		(820)	(41,673)
Gross profit		2,027	61,745
Other revenue		93	718
Selling and distribution costs		(103)	(5,058)
Administrative expenses		(5,729)	(13,189)
Other operating expenses		–	(155)
PROFIT/(LOSS) FROM OPERATING ACTIVITIES	4	(3,712)	44,061
Finance costs	5	(1,353)	(1,415)
Share of losses of jointly-controlled entities		–	(215)
Amortisation of goodwill on acquisition of jointly-controlled entities		(10,675)	(10,675)
PROFIT/(LOSS) BEFORE TAX		(15,740)	31,756
Tax	6	–	(2,862)
PROFIT/(LOSS) BEFORE MINORITY INTERESTS		(15,740)	28,894
Minority interests		–	(19,400)

**NET PROFIT/(LOSS) FROM
ORDINARY ACTIVITIES
ATTRIBUTABLE TO
SHAREHOLDERS**

(15,740) **9,494**

**EARNINGS/(LOSS) PER SHARE
– BASIC**

8

HK(0.53) cent **HK0.32 cent**

– DILUTED

N/A **HK0.31 cent**

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 for the six months ended 30 June, 2003 (the “Period”) represents the gross rental income and the sale of online English learning courses, less any applicable turnover taxes.

Turnover for the six months ended 30 June, 2002 represented 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. SEGMENT INFORMATION

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

	Sale and pre-sale of properties		Property investment		Sale of online English learning courses		Corporate		Consolidated	
	For the six months ended 30 June, 2003		For the six months ended 30 June, 2002		For the six months ended 30 June, 2003		For the six months ended 30 June, 2002		For the six months ended 30 June, 2002	
	(Unaudited) HK\$'000	(Unaudited) HK\$'000								
Segment revenue:										
Sales to external customers	<u>-</u>	<u>100,468</u>	<u>1,611</u>	<u>2,763</u>	<u>1,236</u>	<u>187</u>	<u>-</u>	<u>-</u>	<u>2,847</u>	<u>103,418</u>
Segment results	<u>-</u>	<u>44,182</u>	<u>1,059</u>	<u>1,057</u>	<u>70</u>	<u>(79)</u>	<u>(4,881)</u>	<u>(1,136)</u>	<u>(3,752)</u>	<u>44,024</u>
Interest income									<u>40</u>	<u>37</u>
Profit/(loss) from operating activities									<u>(3,712)</u>	<u>44,061</u>
Finance costs									<u>(1,353)</u>	<u>(1,415)</u>
Share of losses of jointly- controlled entities and amortisation of goodwill on acquisition of jointly-controlled entities									<u>(10,675)</u>	<u>(10,890)</u>

Profit/(loss) before tax	(15,740)	31,756
Tax	-	(2,862)
	<u> </u>	<u> </u>
Profit/(loss) before minority interests	(15,740)	28,894
Minority interests	-	(19,400)
	<u> </u>	<u> </u>
Net profit/(loss) from ordinary activities attributable to shareholders	<u>(15,740)</u>	<u>9,494</u>

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

4. PROFIT/(LOSS) FROM OPERATING ACTIVITIES

The Group's profit/(loss) from operating activities is arrived at after charging/(crediting):

	For the six months ended 30 June,	
	2003	2002
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Cost of inventories sold	820	41,673
Depreciation	222	684
Amortisation of goodwill	10,675	10,675
Interest income	(40)	(37)
Net rental income	(1,611)	(2,763)
Profit on sale and pre-sale of properties	-	(44,182)
	<u> </u>	<u> </u>

5. FINANCE COSTS

	For the six months ended 30 June,	
	2003	2002
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest expense on bank loans wholly repayable within five years	1,353	5,310
Less: Interest capitalised on properties under development	-	(3,895)
	<u> </u>	<u> </u>
	<u>1,353</u>	<u>1,415</u>

6. TAX

	For the six months ended 30 June,	
	2003	2002
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Provision for the period:		
Hong Kong	-	-
Elsewhere	-	2,862
	<u> </u>	<u> </u>
	<u> </u>	<u>2,862</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 Period (2002: Nil).

Mainland China tax has been calculated on the taxable income of subsidiaries operating in Mainland China at the applicable rates.

7. INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2003 (2002: Nil).

8. EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings/(loss) per share is based on the net loss from ordinary activities attributable to shareholders for the Period of HK\$15,740,000 (2002: net profit of HK\$9,494,000) and the weighted average of 2,980,016,725 (2002: 2,980,016,725) ordinary shares in issue during the Period.

Diluted loss per share for the Period has not been disclosed as the potential ordinary shares outstanding during the Period had an anti-dilutive effect on the basic loss per share for the Period.

The calculation of diluted earnings per share for the six months ended 30 June 2002 was based on the net profit from ordinary activities attributable to shareholders for that period of HK\$9,494,000. The weighted average number of ordinary shares used in the calculation was the 2,980,016,725 ordinary shares in issue during that period, as used in the basic earnings per share calculation, and the weighted average of 66,472,651 ordinary shares assumed to have been issued at no consideration on deemed exercise of all share options during that period.

MANAGEMENT DISCUSSION & ANALYSIS

REVIEW OF RESULTS

The Directors are pleased to report that the Group recorded a turnover of HK\$2,847,000 (2002: HK\$103,418,000) for the Period, representing a decrease of 97% compared with the corresponding period in 2002. Net loss from ordinary activities attributable to shareholders is HK\$15,740,000 (2002: net profit of HK\$9,494,000).

BUSINESS REVIEW

The Group's turnover for the Period mainly comprises the rental income generated from the commercial podiums located in Chongqing, the People's Republic of China (the "PRC") and the sale of online English learning courses to individual and corporate customers in the PRC.

The decline in turnover was mainly attributable to the disposal of the Group's businesses in property development and investment in Haizhu Peninsula Garden in Guangzhou in the year ended 31 December 2002. Subsequent to the disposal, the Group has been mainly engaged in property investment in the PRC and sale of online English learning courses during the Period.

Property investment

During the Period, the commercial units in Gang Yu Square in Chongqing, the PRC, were leased out and the occupancy rate was highly satisfactory. It is expected that the rental income will increase and continue to generate a steady stream of income to the Group.

Provision of online English learning services

The Group is engaged in the sale of online English learning courses, developed by GlobalEnglish Corporation in the United States of America, to individual and corporate customers in the region of the PRC including Hong Kong and Macau.

During the Period, the Group had successfully entered into contracts with several large-scale corporate customers and sub-distributors in the PRC. The Group had also started to develop the market of schools and colleges in Hong Kong and it is anticipated that the sale of online English learning courses will continue to increase and generate encouraging revenue for the Group in the future.

Provision of exclusive technology consultancy services

The Group had started to be engaged in the provision of exclusive technology consultancy services for the operation of the phone banking payment services in Guangdong Province excluding Shenzhen in 2001. The Group has continually negotiated the service contracts with companies in Guangdong Province to serve as their phone banking service providers in order to enhance the popularity and coverage of services in the coming period.

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 2003 amounted to HK\$38,936,000 (31 December 2002: HK\$40,857,000) and pledged deposits of HK\$2,048,000 (31 December 2002: HK\$2,200,000) while interest-bearing bank loans for the Group amounted to HK\$46,111,000 (31 December 2002: HK\$51,126,000) of which 24%, 14%, 33% and 29% respectively are repayable within one year or on demand, in the second year, in the third to fifth years, inclusive, and beyond five years. No bank loan (31 December 2002: Nil) is charged at fixed interest rates as at 30 June 2003.

The Group's gearing ratio as at 30 June 2003 was 0.17 (31 December 2002: 0.18 (restated)), calculated based on the Group's total liabilities, excluding deferred income, of HK\$130,476,000 (31 December 2002: HK\$134,026,000 (restated)) over total assets of HK\$746,305,000 (31 December 2002: HK\$765,595,000 (restated)).

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\$46,111,000 (31 December 2002: HK\$51,126,000) as at 30 June 2003. 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 2003, guarantees given for mortgage loans granted by banks to certain purchasers of the Group's properties amounted to HK\$22,006,000 (31 December 2002: HK\$22,006,000).

Material Acquisitions and Disposals of Subsidiaries and Associated Companies

During the Period, the Group has no material acquisitions and disposals of subsidiaries and associated companies.

Employee and Remuneration Policy

The Group employed approximately 21 full time staff in Hong Kong and Chongqing, the PRC, as at 30 June 2003. 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 Chongqing, 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 employees share option scheme.

PROSPECTS

With the outbreak of Severe Acute Respiratory Syndrome in Hong Kong and the PRC in the Period, the Group has postponed its investment plans and decisions in the Period. In respect of the recent signs of up-turn of the economy generally and with a capacity of free up capital in the Group, the Group is now reviewing new business opportunities in the PRC, such as property development and technology-related sectors, with aims to maximize shareholders' return and lead to encouraging results to the Group in the long run.

The Group is optimistic with the continual economic growth in the PRC and the Group will continue its diversification with a view to broaden its business scope and increase sources of revenue.

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 two independent 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, 23 September 2003

* *for identification purpose only*