



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, 2005

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 2005 (the "Interim Results"), together with the comparative figures for the corresponding period in 2004 as follows:

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Notes	For the six months ended 30 June	
		2005 (Unaudited) HK\$'000	2004 (Unaudited) HK\$'000
TURNOVER			
Cost of sales	3	11,139 (10,897)	7,292 (5,603)
Gross profit		242	1,689
Other revenue		751	313
Revaluation surplus on investment properties		10,700	-
Gain on disposal of interests in subsidiaries		-	85,763
Selling and distribution costs		-	(12)
Administrative expenses		(9,831)	(4,386)
Other operating expenses		(5,361)	(7,732)
Finance costs	5	(3,091)	(1,375)
(LOSS)/PROFIT BEFORE TAX	6	(6,590)	74,260
Tax	7	(3,601)	(62)
(LOSS)/PROFIT FOR THE PERIOD		(10,191)	74,198
ATTRIBUTABLE TO:			
Equity holders of the parent		(10,202)	74,182
Minority Interests		11	16
		<u>(10,191)</u>	<u>74,198</u>
(LOSS)/EARNINGS PER SHARE	9		
- BASIC		<u>HK(0.25) cent</u>	<u>HK2.45 cents</u>
- DILUTED		<u>HK(0.23) cent</u>	<u>N/A</u>

CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	30 June 2005 (Unaudited) HK\$'000	31 December 2004 (Restated) HK\$'000
NON-CURRENT ASSETS			
Fixed assets		123,362	130,186
Investment properties		194,300	183,600
Intangible assets		19,485	23,303
Goodwill		128,788	84,882
Trade receivables	10	10,056	10,055
Prepaid rental		17,321	17,808
Deposit and other receivable		28,014	64,003
Pledged deposits		779	776
		<u>522,105</u>	<u>514,613</u>
CURRENT ASSETS			
Trade receivables	10	29,847	35,689
Prepayments, deposits and other receivables		104,679	101,886
Cash and bank balances		81,485	106,254
		<u>216,011</u>	<u>243,829</u>
CURRENT LIABILITIES			
Trade payables	11	(31,018)	(31,486)
Tax payable		(14,936)	(14,884)
Other payables and accruals		(15,804)	(17,065)
Interest-bearing bank loans		(40,461)	(49,830)
Finance lease payables		(505)	(492)
Deferred income		(40,625)	(40,625)
		<u>(143,349)</u>	<u>(154,382)</u>
NET CURRENT ASSETS		72,662	89,447
TOTAL ASSETS LESS CURRENT LIABILITIES		594,767	604,060
NON-CURRENT LIABILITIES			
Interest-bearing bank loans		(25,197)	(27,470)
Finance lease payables		-	(131)
Convertible bonds		(29,602)	(29,426)
Deferred tax liabilities		(26,033)	(22,502)
		<u>(80,832)</u>	<u>(79,529)</u>
		<u>513,935</u>	<u>524,531</u>
CAPITAL AND RESERVES			
Equity attributable to equity holders of the parent			
Issued capital		94,048	78,388
Reserves		419,887	430,060
		<u>513,935</u>	<u>508,448</u>
Minority interests		-	16,083
		<u>513,935</u>	<u>524,531</u>

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 2004, 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 adopted for the first time for the current period's financial statements.

The adoption of HKASs 1, 2, 7, 8, 10, 12, 16, 17, 18, 19, 21, 23, 24, 27, 31, 33, 37, 38 and HKFRS 2 has had no material impact on the accounting policies of the Group and the methods of computation in the Group's condensed consolidated financial statements, except for the followings:

- HKAS 32 and HKAS 39 - Financial Instruments
- HKAS 40 - Investment Property
- HKFRS 3 - Business Combinations and HKAS 36 - Impairment of Assets
- HK(SIC)-Int 21 - Income Taxes - Recovery of Revalued Non-depreciable Assets

2. Summary of the impact of changes in accounting policies

Following the adoption of the HKFRSs, the opening balances of the following accounts were adjusted retrospectively. The details of the prior period adjustments and opening adjustments are summarised as follows:

(a) Effect on opening balance of total equity at 1 January 2005

Effect of new policies (increase/(decrease))	Notes	Equity component of convertible bonds (Unaudited) HK\$'000	Investment property revaluation reserve (Unaudited) HK\$'000	Retained earnings (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
Prior period adjustments:					
HKAS 32 - Convertible bonds	1(a)	707	-	(133)	574
HK(SIC)-Int 21 - Deferred tax arising from revaluation of investment properties	1(d)	-	-	(3,805)	(3,805)
Net increase/(decrease) in total equity before opening adjustment		707	-	(3,938)	(3,231)
Opening adjustment:					
HKAS 40 - Surplus on revaluation of investment properties	1(b)	-	(40,964)	40,964	-
Total effect at 1 January 2005		<u>707</u>	<u>(40,964)</u>	<u>37,026</u>	<u>(3,231)</u>

(b) Effect on opening balance of total equity at 1 January 2004

Effect of new policies (increase/(decrease))	Notes	Equity component of convertible bonds (Unaudited) HK\$'000	Investment property revaluation reserve (Unaudited) HK\$'000	Retained earnings (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
Prior period adjustments:					
HK(SIC)-Int 21 - Deferred tax arising from revaluation of investment properties	1(d)	-	-	(3,805)	(3,805)
Total effect at 1 January 2004		<u>-</u>	<u>-</u>	<u>(3,805)</u>	<u>(3,805)</u>

The following tables summarise the impact on profit after tax, income or expenses recognised directly in equity and capital transactions with equity holders for the six-month periods ended 30 June 2005 and 2004 upon the adoption of the new HKFRSs. As no retrospective adjustments have been made for the adoption of HKASs 39, 40 and HKFRS 3, the amounts shown for the six months period ended 30 June 2004 may not be comparable to the amounts shown for the current interim period.

(c) Effect on profit after tax for the six months ended 30 June 2005 and 2004

Effect of new policies (increase/(decrease))	Notes	For the six months ended 30 June					
		2005			2004		
		Equity holders of the parent (Unaudited) HK\$'000	Minority interest (Unaudited) HK\$'000	Total (Unaudited) HK\$'000	Equity holders of the parent (Unaudited) HK\$'000	Minority interests (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
Effect on profit after tax:							
HKAS 40 - Surplus on revaluation of investment properties	1(b)	10,700	-	10,700	-	-	-
HKFRS 3 - Discontinuation of amortisation of goodwill	1(c)	4,508	-	4,508	-	-	-
HK(SIC)-Int 21 - Deferred tax arising from revaluation of investment properties	1(d)	(3,531)	-	(3,531)	-	-	-
Total effect for the period		<u>11,677</u>	<u>-</u>	<u>11,677</u>	<u>-</u>	<u>-</u>	<u>-</u>
Effect as earnings per share:							
- Basic		<u>HK0.28 cent</u>					
- Diluted		<u>HK0.28 cent</u>					

(d) Effect on income or expenses recognised directly in equity and capital transactions with equity hold for the six months ended 30 June 2005 and 2004

Effect of new policies (increase/(decrease))	Notes	For the six months ended 30 June					
		2005			2004		
		Equity holders of the parent (Unaudited) HK\$'000	Minority interest (Unaudited) HK\$'000	Total (Unaudited) HK\$'000	Equity holders of the parent (Unaudited) HK\$'000	Minority interests (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
HKAS 40 - Surplus on revaluation of investment properties no longer recognised in reserve	1(b)	(10,700)	-	(10,700)	-	-	-
HK(SIC)-Int 21 - Deferred tax arising from revaluation of investment properties	1(d)	3,531	-	3,531	-	-	-
Total effect for the period		<u>(7,169)</u>	<u>-</u>	<u>(7,169)</u>	<u>-</u>	<u>-</u>	<u>-</u>

3. TURNOVER

Turnover for the six months ended 30 June 2005 (the "Period") represents the aggregate of gross rental income from investment properties and leasing of equipment, and income from provision of telecommunication and other related services, less any applicable turnover taxes.

Turnover for the six months ended 30 June 2004 represented the aggregate of gross rental income from investment properties and leasing of equipment, the sale of online English learning courses and income from provision of telecommunication and other related services, less any applicable turnover taxes.

4. SEGMENT INFORMATION

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

	For the six months ended 30 June (Unaudited)												Consolidated	
	Property Investment		Sale of online English learning courses		Leasing of equipment		Telecommunication and other related services		Software licensing services		Corporate		2005	2004
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
Segment revenue:														
Sales to external customers	2,909	2,906	-	330	1,824	1,822	6,406	2,244	-	-	-	-	11,139	7,292
Other revenue and gains	10,700	-	-	-	-	-	-	-	-	-	-	-	10,700	85,763
Total	<u>13,609</u>	<u>2,906</u>	<u>-</u>	<u>330</u>	<u>1,824</u>	<u>1,822</u>	<u>6,406</u>	<u>2,244</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>21,839</u>	<u>93,055</u>
Segment results	<u>13,225</u>	<u>2,782</u>	<u>-</u>	<u>(6,991)</u>	<u>(2,120)</u>	<u>(1,170)</u>	<u>(6,992)</u>	<u>861</u>	<u>(1,612)</u>	<u>(168)</u>	<u>(7,247)</u>	<u>82,008</u>	<u>(4,258)</u>	<u>75,322</u>
Interest income													751	313
Finance costs													(3,091)	(1,375)
(Loss)/Profit before tax													(6,590)	74,260
Tax													(3,601)	(62)
(Loss)/Profit for the period													<u>(10,191)</u>	<u>74,198</u>

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").

5. FINANCE COSTS

	For the six months ended 30 June 2005 (Unaudited) HK\$'000	2004 (Unaudited) HK\$'000
Interest expense on bank loans wholly repayable within five years	2,353	1,375
Interest on finance lease	150	-
Interest on convertible bonds	588	-
	<u>3,091</u>	<u>1,375</u>

6. (LOSS)/PROFIT before tax

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

	For the six months ended 30 June 2005 (Unaudited) HK\$'000	2004 (Unaudited) HK\$'000
Cost of inventories sold	-	2,210
Depreciation	7,184	2,210
Impairment of goodwill arising in the Period	-	7,000
Amortisation of intangible assets	3,840	3,891
Provision for doubtful debts	5,880	-
Amortisation of goodwill on acquisition of subsidiaries	-	724
Interest income	(751)	(313)
Net rental income	(2,909)	(2,906)
Write back of other receivables	(519)	-

7. TAX

	For the six months ended 30 June 2005 (Unaudited) HK\$'000	2004 (Unaudited) HK\$'000
Provision for the period:		
Hong Kong	70	-
Elsewhere	-	62
Deferred taxation	3,531	-
	<u>3,601</u>	<u>62</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 (30 June 2004: 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.

8. INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2005 (2004: Nil).

9. (LOSS)/EARNINGS PER SHARE

The calculation of basic (loss)/earnings per share for the Period is based on the loss attributable to equity holders of the parent of HK\$10,202,000 (30 June 2004: net profit of HK\$74,182,000) and the weighted average of 4,114,081,517 (30 June 2004: 3,028,497,656) ordinary shares in issue during the Period.

The calculation of diluted loss per share is based on the loss attributable to equity holders of the parent of HK\$9,716,000, after adjusting for the interest saved upon the deemed conversion of all convertible bonds. The weighted average number of ordinary shares used in the calculation is the 4,114,081,517 ordinary shares in issue during the Period, as used in the basic loss per share calculation; and the weighted average of 100,000,000 ordinary shares assumed to have been issued on the deemed conversion of all convertible bonds during the Period.

Diluted earnings per share for the six months ended 30 June 2004 have not been disclosed as the potential ordinary shares outstanding during these periods had an anti-dilutive effect on the basic earnings per share for the six months ended 30 June 2004.

10. TRADE RECEIVABLES

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

	30 June 2005 (Unaudited) HK\$'000		31 December 2004 (Audited) HK\$'000	
	Percentage	Percentage	Percentage	Percentage
Within 6 months	7,372	18	17,639	39
More than 6 months but within 1 year	16,549	41	11,735	26
More than 1 year but within 2 years	4,404	11	3,847	8
More than 2 years	3,650	10	4,598	10
Not due at balance sheet date	7,928	20	7,925	17
	<u>39,903</u>	<u>100</u>	<u>45,744</u>	<u>100</u>
Portion classified as current assets	(29,847)		(35,689)	
Non-current assets	<u>10,056</u>		<u>10,055</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.

11. TRADE PAYABLES

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

	30 June 2005 (Unaudited) HK\$'000		31 December 2004 (Audited) HK\$'000	
	Percentage	Percentage	Percentage	Percentage
Within 6 months	-	-	195	1
More than 6 months but within 1 year	103	-	343	1
More than 1 year but within 2 years	-	-	3	-
More than 2 years but within 3 years	3	-	195	1
Over 3 years	30,912	100	30,750	97
	<u>31,018</u>	<u>100</u>	<u>31,486</u>	<u>100</u>

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

12. POST BALANCE SHEET EVENTS

The corporate events transacted subsequent to balance sheet date had been disclosed by way of press announcements from time to time and are summarised in the interim report of the Group for the six months ended 30 June 2005. All the information was published on the website of The Stock Exchange of Hong Kong Limited.

REVIEW OF RESULTS