



# ZHONG HUA INTERNATIONAL HOLDINGS LIMITED

## 中華國際控股有限公司\*

(Incorporated In Bermuda with limited liability)

### FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2001

RESULTS		2001 HK\$'000	2000 HK\$'000
TURNOVER	Notes 1	215,764	177,795
Cost of sales		(127,686)	(75,048)
Gross profit		88,078	102,747
Other revenue		56	2,947
Gain on partial disposal of interests in subsidiaries		15,752	-
Selling and distribution costs		(9,169)	(22,041)
Administrative expenses		(27,783)	(25,530)
Other operating expenses		(10,966)	(33,445)
PROFIT FROM OPERATING ACTIVITIES	2	55,968	24,678
Finance costs	3	(3,251)	(3,037)
Share of losses of jointly controlled entities		(108)	-
PROFIT BEFORE TAX		52,609	21,641
Tax	4	(18,651)	(11,513)
PROFIT BEFORE MINORITY INTERESTS		33,958	10,128
Minority interests		(1,893)	-
NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		32,065	10,128
DIVIDENDS	5		
Interim		5,960	4,768
Proposed final		-	7,152
		5,960	11,920
EARNINGS PER SHARE – Basic	6	HK1.08 cents	HK0.34 cent
EARNINGS PER SHARE – Diluted	6	HK1.06 cents	-

Notes:

#### 1. Turnover and segmental information

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, and gross rental income, after elimination of all significant intra-group transactions, less any applicable turnover taxes.

The following table present revenue, profit and expenditure information for the Group's business segments.

Segment revenue:	Sales and pre-sale of properties		Property investment		Corporate and others		Consolidated	
	2001	2000	2001	2000	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Sales to external customers	210,487	170,327	5,277	7,468	-	-	215,764	177,795
Unallocated revenue	-	-	-	-	15,752	-	15,752	-
Total	210,487	170,327	5,277	7,468	15,752	-	231,516	177,795
Segment results	63,096	27,698	1,719	2,122	(8,903)	(7,053)	55,912	22,767
Interest income							56	1,911
Profit from operating activities							55,968	24,678
Finance costs							(3,251)	(3,037)
Share of losses of jointly- controlled entities							(108)	-
Profit before tax							52,609	21,641
Tax							(18,651)	(11,513)
Profit before minority interests							33,958	10,128
Minority interests							(1,893)	-
Net profit from ordinary activities attributable to shareholders							32,065	10,128

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

#### 2. Profit from operating activities

The Group's profit from operating activities is arrived at after charging:-

	2001 HK\$'000	2000 HK\$'000
Cost of inventories sold	127,686	75,048
Depreciation	1,306	2,168
Amortisation of goodwill and after crediting:	10,870	-
Gross rental income from investment properties	5,277	7,468
Less: Outgoings	-	-
Net rental income	5,277	7,468
Exchange gains/(losses), net	(276)	1,863
Interest income	56	1,911

#### 3. Finance costs

	2001 HK\$'000	2000 HK\$'000
Interest expense on bank loans and overdrafts wholly repayable within five years	12,765	13,469
Less: Interest capitalised on properties under development	(9,514)	(10,432)
	3,251	3,037

#### 4. Tax

	2001 HK\$'000	2000 HK\$'000
Provision for the year		
Hong Kong	-	-
Elsewhere	18,651	11,513
	18,651	11,513

No provision for Hong Kong profits tax has been made as the Group did not generate any taxable profits in Hong Kong during the year (2000: 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 of the Company (the "Directors") consider that a liability is not expected to crystallise in the foreseeable future. The revaluation of the Group's investment properties does not constitute a timing difference and, consequently, the amount of potential deferred tax thereon has not been quantified.

#### 5. Dividends

	2001 HK\$'000	2000 HK\$'000
Interim: HK0.2 cent (2000: HK0.16 cent) per share, adjusted for the subdivision (the "Subdivision") of shares on 9 August 2001	5,960	4,768
Proposed Final: Nil (2000 : HK0.24 cent) per share, adjusted for the Subdivision	-	7,152
	5,960	11,920

The distribution of dividends for the current and prior years were made out of the Company's contributed surplus.

#### 6. Earnings per share

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

	2001	2000
Earnings: Net profit attributable to shareholders, used in the basic and diluted earnings per share calculations	HK\$32,065,000	HK\$10,128,000
	2001	2000

#### Shares:

	2001	2000
Weighted average number of ordinary shares in issue during the year used in basic earnings per share calculation	2,980,016,725	2,980,016,725
Weighted average number of shares assumed issued at no consideration on deemed exercise of all share options outstanding during the year	38,112,465	-
Weighted average number of ordinary shares in issue during the year used in diluted earnings per share calculation	3,018,129,190	2,980,016,725

The weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculations for both 2001 and 2000 have been adjusted to reflect the Subdivision.

Diluted earnings per share has not been presented as no diluting events existed during the year ended 31 December 2000.

#### FINAL DIVIDEND

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2001.

#### CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be temporarily closed from Monday, 10 June 2002 to Tuesday, 11 June 2002, both dates inclusive, during which period no transfer of shares will be effected. In order to qualify for the attendance at the Company's annual general meeting to be held on Tuesday, 11 June 2002, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tengis Limited at 4th Floor Hutchison House, 10 Harcourt Road, Central, Hong Kong for registration not later than 4:00 pm on Friday, 7 June 2002.

#### RESULTS

The Group recorded a turnover of HK\$215,764,000, net profit from ordinary activities attributable to shareholders of HK\$32,065,000 and basic earnings per share of HK1.08 cents and diluted earnings per share of HK1.06 cents, for the year ended 31 December 2001. These figures represented increases of approximately 21%, 217% and 218% respectively when compared to a turnover of HK\$177,795,000, net profit from ordinary activities attributable to shareholders of HK\$10,128,000 and basic earnings per share of HK0.34 cent (adjusted for the Subdivision) for the year ended 31 December 2000.

#### BUSINESS REVIEW

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

#### Property development and investment business

The improved results of the Group for the year were mainly attributable to the satisfactory pre-sale of Phase III of Haizhu Peninsula Garden. Over 50% of the residential units had been sold up to the end of 2001. The construction of the superstructure of Phase III of Haizhu Peninsula Garden was completed in September of 2001 and it is expected the residential units in Phase III will be available in move-in condition in mid 2002.

#### Provision of online English learning services

The Group is engaged in the provision 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.

We had conducted extensive researches on the demand of English learning services, marketing strategy and distribution channels during the past year. We had commenced the selling of the "GlobalEnglish" learning courses in early 2002 and the results were satisfactory.

Upon entering the World Trade Organisation and the successful bid for the 2008 Olympic Games in Beijing, it is anticipated that the demand for English learning courses will increase dramatically and it is expected that the sale of online English learning courses will generate additional revenue for the Group in near future.

#### Provision of exclusive technology consultancy services

Upon completion of the acquisition of I-Action Agents Limited on 28 June 2001, the Group is also engaged in the provision of exclusive technology consultancy services to 廣州市飛躍信息技術開發有限公司 ("Fei Yue") for the setting up and development of call centres and the operation of the (phone banking) payment gateway in Guangdong Province excluding Shenzhen.

Since the acquisition, the Group had conducted large scale marketing campaigns with GNET to promote the use of phone banking services in Guangzhou and we were at the final stage of system testing for our call centres. With Fei Yue successfully obtained service contracts with major telecommunication, media and other companies to serve as their phone banking payment service provider in Guangdong Province excluding Shenzhen and with Fei Yue's exclusive cooperation agreement with GNET (廣東省銀行卡網絡服務中心) for the operation and management of a phone payment system for a term of fifteen years commencing from 28 September 2000, technology consultancy fee income arising from services rendered to Fei Yue is expected to increase in near 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 31 December 2001 amounted to HK\$55,174,000 (31 December 2000: HK\$8,491,000) and pledged deposits of HK\$4,071,000 (2000: Nil) Interest-bearing bank loans and borrowings for the Group amounted to HK\$193,451,000 (31 December 2000: HK\$187,334,000), of which 76%, 22% and 2% respectively were repayable within one year or on demand, in the second year and in the third to fifth years, inclusive. An amount of HK\$181,751,000 bank loans and borrowings are charged at fixed interest rates. The cash position of the Group had improved as a result of the satisfactory sale and pre-sale of the Group's properties during the year.

The Group's gearing ratio as at 31 December 2001 was 0.33 (31 December 2000: 0.41), calculated based on the Group's total debts of HK\$574,620,000 (31 December 2000: HK\$561,627,000) over total assets of HK\$1,719,354,000 (31 December 2000: HK\$1,393,558,000).

##### 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 year.

##### Pledge of Assets

The Group had utilized bank loan facilities amounting to approximately HK\$193,451,000 (31 December 2000: HK\$187,334,000) as at 31 December 2001. The bank loans were secured 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 31 December 2001, guarantees given for mortgage loans granted by banks to certain purchasers of the Group's properties amounted to HK\$353,791,000 (31 December 2000: HK\$242,383,000).

##### Material Acquisitions and Disposals of Subsidiaries

On 6 April 2001, the Group entered into a conditional agreement for the acquisition of 100% equity interest in I-Action Agents Limited for a consideration of HK\$320,000,000. The principal activities of I-Action Agents Limited and its subsidiaries are engaged in the provision of technology consultancy services for the operation of the phone banking payment gateway. The consideration was to be satisfied by the disposal of the Group's 49% interest in Ample Dragon Limited. The principal activities of Ample Dragon Limited and its subsidiaries are mainly engaged in property development and investment in the PRC.

Details of the acquisition and the disposal of subsidiaries have been set out in a circular of the Company dated 31 May 2001. The transaction was completed on 28 June 2001 and the profit arising from the disposal had been reflected in the Group's profit and loss account for the year.

##### Employee And Remuneration Policy

The Group employed approximately 114 full time staff in Hong Kong and the PRC as at 31 December 2001. 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.

##### Share Subdivision

On 8 August 2001, the Company passed an ordinary resolution to approve that every share of HK\$0.10 in the issued and unissued share of the Company was to be subdivided into five shares of HK\$0.02 each. The authorised share capital of the Company remained unchanged at HK\$120,000,000 divided into 6,000,000,000 shares of HK\$0.02 each after the subdivision. Details of the subdivision of shares have been set out in a circular of the Company dated 17 July 2001.

#### PROSPECTS

It is believed 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.

#### PURCHASE, SALE AND REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year, neither the Company nor any of its subsidiaries had repurchased, sold or redeemed any of the Company's listed securities during the year under review.

#### 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 Stock Exchange during the year.

#### DISCLOSURE OF INFORMATION ON THE WEBSITE OF THE STOCK EXCHANGE

The annual report of the Group for the year ended 31 December 2001 containing all information required by paragraphs 45(1) to 45(3) of Appendix 16 of the Listing Rules will be published on the web site of the Stock Exchange in due course.

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

Hong Kong, 25 April 2002

\* for identification purpose only

## NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the annual general meeting of the Company will be held at The Hong Kong Bankers Club, The Dragon Room 3 and 5, 43/F, Gloucester Tower, The Landmark, Hong Kong, at 9:45 a.m. on Tuesday, 11 June 2002 for the following purposes:

- to receive and consider the audited financial statements and the reports of the directors of the Company (the "Directors") and auditors of the Company (the "Auditors") for the year ended 31 December 2001.
- To re-elect Directors and to fix their remuneration.
- To re-appoint Auditors and to authorize the Directors to fix their remuneration.
- As a special business, to consider and, if thought fit, pass with or without amendments, the following resolutions as ordinary resolutions:

#### ORDINARY RESOLUTIONS

- A. **THAT:**
- subject to paragraph (b) below, the exercise by the Directors during the Relevant Period (as hereinafter defined) of all the powers of the Company to repurchase shares of HK\$0.02 each in the capital of the Company on The Stock Exchange of Hong Kong Ltd. (the "Stock Exchange") or on any other stock exchange on which the securities of the Company may be listed and recognized by the Securities and Futures Commission of Hong Kong and the Stock Exchange for this purpose under the Hong Kong Code on Share Repurchases, subject to and in accordance with all applicable laws and the requirements of the Rules Governing the Listing of Securities on the Stock Exchange or of any other stock exchange as amended from time to time, be and is hereby generally and unconditionally approved;
  - the aggregate nominal amount of shares of the Company which the Company is authorized to repurchase pursuant to the approval in paragraph (a) above shall not exceed 10 per cent. of the aggregate nominal amount of the share capital of the Company in issue at the date of this Resolution, and the said approval shall be limited accordingly; and
  - for the purposes of this Resolution, "Relevant Period" means the period from the passing of this Resolution until whichever is the earlier of:
    - the conclusion of the next annual general meeting of the Company;
    - the expiration of the period within which the next annual general meeting of the Company is required by law or the bye-laws of the Company to be held; and
    - the date on which the authority set out in this Resolution is revoked or varied by an ordinary resolution of the shareholders in general meeting of the Company.
- B. **THAT:**
- subject to paragraph (c) below, the exercise by the Directors during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue or otherwise deal with additional shares of HK\$0.02 each in the capital of the Company or securities convertible into such shares, or options, warrants or similar rights to subscribe for any shares in the Company and to make or grant offers, agreements and options (including bonds, warrants and debentures convertible into shares of the Company) which would or might require the exercise of such powers, be and is hereby generally and unconditionally approved;
  - the approval in paragraph (a) of this Resolution shall authorize the Directors during the Relevant Period (as hereinafter defined) to make or grant offers, agreements and options (including bonds, warrants and debentures convertible into shares of the Company) which would or might require the exercise of such power after the end of the Relevant Period;
  - the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) and issued by the Directors pursuant to the approval in paragraph (a) of this Resolution, otherwise than pursuant to:
    - a Rights Issue (as hereinafter defined);
    - an issue of shares as scrip dividends pursuant to the bye-laws of the Company from time to time;

- an issue of shares of the Company upon the exercise of the subscription or conversion rights under the terms of any warrants or other securities issued by the Company carrying a right to subscribe for shares of the Company; and
- an issue of shares under any option scheme or similar arrangement for the time being adopted for the grant or issue to employees of the Company and/or any of its subsidiaries of shares or rights to acquire shares of the Company shall not exceed 20 per cent. of the aggregate nominal amount of the issued share capital of the Company at the date of passing this Resolution, and the said approval shall be limited accordingly; and

#### C.

- THAT** subject to the passing of Resolutions No. 5A and No. 5B set out in the notice convening this meeting, the general mandate granted to the Directors to allot, issue and deal with additional shares pursuant to Resolution No. 5B set out in the notice convening this meeting be and is hereby extended by the addition thereto of an amount representing the aggregate nominal amount of shares in the capital of the Company repurchased by the Company under the authority granted pursuant to Resolution No. 5A set out in the notice convening this meeting, provided that such amount of shares so repurchased shall not exceed 10 per cent. of the aggregate nominal amount of the issued share capital of the Company at the date of passing of the said Resolution.

By Order of the Board  
**Ho Tsam Hung**  
Chairman

Hong Kong, 25 April 2002

Notes:

- Any member of the Company entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and, on a poll, vote instead of him. A proxy need not be a member of the Company.
- To be valid, the proxy form together with any power of attorney or other authority (if any) under which it is signed, or a notarially certified copy thereof, must be lodged with the Company's branch share registrar in Hong Kong, Tengis Limited at 4th Floor, Hutchison House, 10 Harcourt Road, Central, Hong Kong not less than forty-eight hours before the time appointed for holding the meeting.
- Concerning Resolution No. 5A above, the Directors wish to state that they will exercise the powers conferred thereby to repurchase shares of the Company in circumstances which they deem appropriate for the benefits of the shareholders. The explanatory statement containing the information necessary to enable the shareholders to make an informed decision on whether to vote for or against the resolution to approve the repurchases by the Company of its own shares, as required by the Rules Governing the Listing of Securities on the Stock Exchange will be set out in a circular of the Company to be enclosed with the 2001 annual report.
- Concerning Resolution No. 5B above, the Directors wish to state that they have no present intention of issuing any new shares of the Company other than the new shares to be issued upon the exercise of subscription rights under the existing share option scheme of the Company, if any.