ZHONG HUA INTERNATIONAL HOLDINGS LIMITED
中華國際控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 1064)

FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2017

The board of directors (the "Directors") of Zhong Hua International Holdings Limited (the "Company") would like to announce the consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2017 (the "Annual Results"), together with the comparative figures and the relevant explanatory notes, as follows:

CONSOLIDATED INCOME STATEMENT
For the year ended 31 December 2017

	Notes	**2017** *HK$'000*	2016 *HK$'000*
REVENUE	2	**39,330**	35,568
Other income and gain		**670**	498
Changes in fair value of investment properties		**127,088**	341,482
Administrative expenses		**(26,232)**	(25,537)
Finance costs	3	**(6,890)**	(7,509)
PROFIT BEFORE TAX	4	**133,966**	344,502
Income tax expense	5	**(37,158)**	(89,672)
PROFIT FOR THE YEAR		**96,808**	254,830
Attributable to:			
Ordinary equity holders of the Company		**18,609**	58,628
Non-controlling interests		**78,199**	196,202
		96,808	254,830
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	7		
Basic		**HK$0.03**	HK$0.10
Diluted		**HK$0.03**	HK$0.10

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2017

	2017	2016
	HK$'000	*HK$'000*
PROFIT FOR THE YEAR	**96,808**	254,830
OTHER COMPREHENSIVE INCOME/(EXPENSE)		
Other comprehensive income/(expense) to be reclassified to the income statement in subsequent periods:		
Exchange differences on translation of foreign operations	**234,022**	(175,877)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**330,830**	78,953
Attributable to:		
Ordinary equity holders of the Company	**87,934**	6,528
Non-controlling interests	**242,896**	72,425
	330,830	78,953

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

	Notes	**2017** **HK$'000**	2016 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**5,028**	4,912
Investment properties		**4,476,000**	4,017,248
Total non-current assets		**4,481,028**	4,022,160
CURRENT ASSETS			
Properties held for sale		**37,314**	34,515
Trade receivables	8	**1,187**	1,151
Prepayments, deposits and other receivables		**13,638**	12,711
Cash and bank balances		**82,084**	65,169
Total current assets		**134,223**	113,546
CURRENT LIABILITIES			
Trade payables	9	**(2,129)**	(1,931)
Other payables and accruals		**(40,992)**	(35,130)
Tax payable		**(50,173)**	(41,976)
Interest-bearing bank borrowings		**(6,874)**	(8,630)
Total current liabilities		**(100,168)**	(87,667)
NET CURRENT ASSETS		**34,055**	25,879
TOTAL ASSETS LESS CURRENT LIABILITIES		**4,515,083**	4,048,039
NON-CURRENT LIABILITIES			
Loan from a director		**(76,776)**	(71,018)
Due to a director		**(183,840)**	(160,160)
Long term other payables		**(137,622)**	(128,351)
Interest-bearing bank borrowings		**(7,409)**	(13,143)
Deferred tax liabilities		**(967,620)**	(864,381)
Total non-current liabilities		**(1,373,267)**	(1,237,053)
Net assets		**3,141,816**	2,810,986
EQUITY			
Equity attributable to equity holders of the Company			
Share capital		**15,140**	15,140
Reserves		**895,657**	807,723
		910,797	822,863
Non-controlling interests		**2,231,019**	1,988,123
Total equity		**3,141,816**	2,810,986

Notes:

1.1. BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties which have been measured at fair value. These financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated.

1.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKAS 7	*Disclosure Initiative*
Amendments to HKAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*
Amendments to HKFRS 12 included in *Annual Improvements to HKFRSs 2014-2016 Cycle*	*Disclosure of Interests in Other Entities: Clarification of the Scope of HKFRS 12*

As explained below, the adoption of the above revised standards has had no significant financial effect on these financial statements.

The nature and the impact of the amendments are described below:

(a) Amendments to HKAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

(b) Amendments to HKAS 12 clarify that an entity, when assessing whether taxable profits will be available against which it can utilise a deductible temporary difference, needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount. The amendments have had no impact on the financial position or performance of the Group as the Group has no deductible temporary differences or assets that are in the scope of the amendments.

(c) Amendments to HKFRS 12 clarify that the disclosure requirements in HKFRS 12, other than those disclosure requirements in paragraphs B10 to B16 of HKFRS 12, apply to an entity's interest in a subsidiary, a joint venture or an associate, or a portion of its interest in a joint venture or an associate that is classified as held for sale or included in a disposal group classified as held for sale. The amendments have had no impact on the Group's financial statements as the Group did not have subsidiaries classified as a disposal group held for sale as at 31 December 2017.

2. REVENUE AND OPERATING SEGMENT INFORMATION

Revenue represents gross income from letting investment properties, after elimination of all significant intra-group transactions less any applicable taxes.

For management purposes, the Group is organised into business units based on their services and has two reportable operating segments as follows:

(a) the property investment segment, which invests in properties located in Mainland China for generating potential income from letting; and

(b) the corporate and others segment, which provides management services to group companies.

The management of the Group monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit/(loss) before tax from operations. The adjusted profit/(loss) before tax from operations is measured consistently with the Group's profit before tax from operations except that other income and gain and finance costs are excluded from such measurement. Segment assets exclude cash and bank balances as it is managed on a group basis. Segment liabilities exclude tax payable, deferred tax liabilities, interest-bearing bank borrowings and a loan from a director as these liabilities are managed on a group basis.

	Property investment		Corporate and others		Total	
	2017	2016	**2017**	2016	**2017**	2016
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:						
Sales to external customers	**39,330**	35,568	–	–	**39,330**	35,568
Segment results	**154,999**	365,610	**(14,813)**	(14,097)	**140,186**	351,513
Other income and gain					**670**	498
Finance costs					**(6,890)**	(7,509)
Profit before tax					**133,966**	344,502
Income tax expense					**(37,158)**	(89,672)
Profit for the year					**96,808**	254,830
Segment assets	**4,532,609**	4,069,887	**558**	650	**4,533,167**	4,070,537
Unallocated assets					**82,084**	65,169
Total assets					**4,615,251**	4,135,706
Segment liabilities	**309,801**	274,241	**54,782**	51,331	**364,583**	325,572
Unallocated liabilities					**1,108,852**	999,148
Total liabilities					**1,473,435**	1,324,720
Other segment information:						
Capital expenditure	**399**	324	–	–	**399**	324
Depreciation	**270**	320	–	54	**270**	374
Changes in fair value of investment properties	**127,088**	341,482	–	–	**127,088**	341,482
Interest on a loan from a director					**5,754**	5,855

Geographical information

Revenues are attributed to the segments based on the locations of the customers, and assets are attributed to the segments based on the locations of the assets. No geographical information is presented as over 90% of the Group's revenue is derived from customers based in Mainland China, and over 90% of the Group's assets are located in Mainland China.

Information about major customers

Revenues from four (2016: four) customers, each of whom accounted for revenue exceeding 10% of the Group's total revenues, amounted to HK$39,330,000 (2016: HK$35,568,000).

3. FINANCE COSTS

	2017	2016
	HK$'000	*HK$'000*
Interest on:		
Bank loans	**1,136**	1,654
Loan from a director	**5,754**	5,855
	6,890	7,509

4. PROFIT BEFORE TAX

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

	2017	2016
	HK$'000	*HK$'000*
Depreciation	**270**	374
Bank interest income	**(168)**	(74)
Changes in fair value of investment properties	**(127,088)**	(341,482)

5. INCOME TAX EXPENSE

	2017	2016
	HK$'000	*HK$'000*
Group:		
Current – elsewhere		
Charge for the year	**5,386**	4,301
Deferred	**31,772**	85,371
Total tax charge for the year	**37,158**	89,672

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the year (2016: Nil).

Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the regions in which the Group operates. The subsidiaries established in Mainland China are subject to income taxes at a tax rate of 25% (2016: 25%).

6. FINAL DIVIDEND

The Directors did not recommend the payment of a final dividend for the year ended 31 December 2017 (2016: Nil).

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

The calculation of the basic earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the Company of HK$18,609,000 (2016: HK$58,628,000), and the number of ordinary shares of 605,616,520 (2016: 605,616,520) in issue during the year.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2017 and 2016.

8. TRADE RECEIVABLES

An aging analysis of the trade receivables as at the end of the reporting period is as follows:

	2017		2016	
	HK$'000	***Percentage***	*HK$'000*	*Percentage*
Within 6 months	**1,187**	**100**	1,151	100

The Group generally grants a credit term of 3 months to 12 months to its customers.

The age of the Group's trade receivables is based on the date of recognition of revenue and the due date of instalments as stipulated in the sale contracts. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

9. TRADE PAYABLES

An aging analysis of the trade payables as at the end of the reporting period is as follows:

	2017		2016	
	HK$'000	***Percentage***	*HK$'000*	*Percentage*
More than 1 year	**2,129**	**100**	1,931	100

The age of the Group's trade payables is based on the dates of the goods received or services rendered. The trade payables are non-interest-bearing.

FINANCIAL REVIEW

The Group recorded a turnover of HK$39,330,000 (2016: HK$35,568,000) for the year ended 31 December 2017. Net profit for the year attributable to ordinary equity holders of the Company was HK$18,609,000 (2016: HK$58,628,000).

The Group generally financed its operations with internally generated cash flows and banking facilities during the year.

Cash and bank balances of the Group as at 31 December 2017 amounted to HK$82,084,000 (2016: HK$65,169,000).

At 31 December 2017, the Group had outstanding borrowings of HK$91,059,000 (2016: HK$92,791,000) comprising an interest-bearing bank loan amounted to HK$14,283,000 (2016: HK$21,773,000) and a loan from a director amounted to HK$76,776,000 (2016: HK$71,018,000). Of the Group's interest-bearing bank loans, 48% and 52% respectively were repayable within one year or on demand, and in the second year, inclusive.

At 31 December 2017, the secured bank loan of HK$14,283,000 (2016: HK$21,773,000) of the Group bore interest at floating interest rates. The secured bank loan of HK$14,283,000 (2016: HK$19,143,000) was denominated in Renminbi ("RMB"). During the year ended 31 December 2016, the Group also had a secured bank loan of HK$2,630,000, which was denominated in Hong Kong dollars.

The Group's gearing ratio as at 31 December 2017 was 0.02 (2016: 0.02), calculated based on the Group's interest-bearing bank borrowings and loan from a director of HK$91,059,000 (2016: HK$92,791,000) over total assets of HK$4,615,251,000 (2016: HK$4,135,706,000). The Group's gearing was maintained at a relatively low level during the year.

BUSINESS REVIEW

The Company is an investment holding company. Its subsidiaries are principally engaged in property investment and development in Mainland China and have two property interests, one in Chongqing (重慶市) and the other in Guangzhou (廣州市).

Guang Yu Square (港渝廣場), a 15-storey commercial building, is situated at the most prime commercial area at Chaotianmen (朝天門), Yuzhong District (渝中區), Chongqing (重慶市). Chaotianmen is one of the major clothing wholesale points in Chongqing while Guang Yu Square is the most popular men's clothing and footwear wholesale centre in the region.

The property interest in Guangzhou (廣州市) is situated at the most prime commercial area in Yuexiu District (越秀區), Guangzhou. It is planned that the development site will be developed into a versatile grade A commercial building complex with wholesale and exhibition hall facilities and with an objective to be the landmark of the Yuexiu District. The development site is comprised of three contiguous land parcels located at the east of Jiefang Road South (解放南路), to the south of Daxin Road (大新路), to the north of Yede Road (一德路) and to the west of Xieen Road (謝恩里), Yuexiu District and is wholly-owned by Guangzhou Zheng Da Real Estate Development Company Limited (廣州市正大房地產開發有限公司) ("GZ Zheng Da") which in turn Zheng Da Real Estate Development Co. Ltd. ("HK Zheng Da"), a private company incorporated in Hong Kong, has 100% interest.

GZ Zheng Da was set up as a Sino-foreign joint venture by HK Zheng Da as the foreign partner and a state-owned enterprise, a third party, as the sino partner in Guangzhou in December 1993. Since its formation, the sino partner has not provided any capital or management support to GZ Zheng Da to a material extent. Pursuant to the terms of the Enforcement Rules of the Joint Venture Agreement (合作合同實施細則) (the "Enforcement Rules") executed in 1994, the sino partner agreed to surrender its entire interest in GZ Zheng Da except those benefits specified in the Enforcement Rules and therefore HK Zheng Da assumed 100% interest in GZ Zheng Da.

The Group acquired a 25% indirect interest in HK Zheng Da in December 2007 while the remaining 75% interest to be completed by the Group not later than 30 June 2018 at an aggregate consideration of RMB1,361,100,000 (approximately HK$1,633,320,000). Details of the intended acquisition, including terms and conditions, consideration and settlement mechanism, and their amendments thereafter were disclosed in the Company's circular dated 26 November 2007 and the Company's various announcements issued thereafter, the latest of which was issued on 26 May 2017 (primarily refers to the deferment of the long stop date for completion of the acquisition from 31 March 2009 to 30 June 2018).

Furthermore, as stated in the Company's announcement dated 26 May 2017, the Group and its counter parties executed a supplemental agreement to explore opportunity to arrive any revised terms for the settlement of and the consideration for, and completion timetable in relation to the acquisition of the remaining 75% indirect interest in HK Zheng Da not later than the revised long stop date which was further deferred to 30 June 2018. If a revised agreement is concluded, it is anticipated that the acquisition will be financed by debt financing, equity financing, bank borrowings or a combination of the three kinds. If in case the acquisition lapses on 30 June 2018, no party shall be liable to each other. If this happens, the Group will no longer deem control over HK Zheng Da and GZ Zheng Da (collectively the "Zheng Da Group") and there will be a major accounting adjustment to the consolidated accounts of the Company for the year ending 31 December 2018 to the effect that the Zheng Da Group will be regarded as an associated company with a 25% equity interest but not a 25% owned subsidiary of the Company. Further announcement will be made once a concrete decision is made by the Group.

Pending for re-developing into a commercial complex, the development site is presently comprised of a 2-storey non-permanent commercial podium and a car park for loading and offloading inventory. With a history of over one century for footwear wholesale business in the area surrounding the development site, the commercial podium is the most popular footwear boutique showcase and wholesale centre in Guangzhou.

The development project was initially planned to be completed within a period of 15 years but its progress was interrupted by the modifications of municipal planning in the region from time to time in the past years. Pursuant to the terms of the relevant joint venture agreement, the joint venture period of GZ Zheng Da is from 31 December 1993 to 31 December 2008 and can be further extended at the request of either foreign or sino partner upon maturity. In December 2008, both GZ Zheng Da and its foreign partner, HK Zheng Da, agreed to extend the joint venture period by 15 years with effect from 1 January 2009 in accordance with the provisions of the articles of GZ Zheng Da but 越秀房地產開發經營公司 ("越秀國企"), its sino partner and a state-owned enterprise, had become dormant a couple of years ago and therefore its consent could not be obtained. On the other hand, it appeared that another enterprise named 越秀房地產開發經營有限公司 ("越房私企"), a privately owned enterprise which acquired certain assets (but not included any interest in GZ Zheng Da (if any)) from 越秀國企 some years ago, claimed that it had taken up certain interest in GZ Zheng Da (if any) from 越秀國企, but that was not the case. As such, in late December 2008, GZ Zheng Da served a writ against 越房私企 at the Guangdong Province Guangzhou Municipal Yuexiu District People's Court (廣東省廣州市越秀區人民法院) (the "Yuexiu Court") demanding for the confirmation of disqualification of 越房私企 from the sino partnership (if any) of the subject joint venture. The relevant judgement has been issued in July 2009 with rulings endorsing the forfeiture of the partnership qualification and legal entitlements of 越房私企 in the joint venture. 越房私企 then filed an appeal petition (the "Appeal") at the Guangzhou Province Guangzhou Municipal Intermediate People's Court (廣東省廣州市中級人民法院) (the "Guangzhou Court") in August 2009. An hearing was made in October 2009 and no further hearings had been made since then. Both GZ Zheng Da and HK Zheng Da have not yet received a valid judgement in writing issued by the Guangzhou Court in accordance with the relevant PRC laws and due judicial procedures. Further details about the developments of, and events incidental to the Appeal were disclosed in the Company's announcement dated 25 March 2013. Both GZ Zheng Da and HK Zheng Da are looking forward to receiving a formal and legally valid verdict, notice or directive in relation to the Appeal to be granted by the Guangzhou Court or its higher court in accordance with the relevant PRC laws and due judicial procedures. Taking into account the latest rulings granted by the Yuexiu Court in July 2009, the facts and legal grounds substantiated at the first hearing of the Appeal, and the opinion given by the PRC legal counsels and advisers, the Company remains optimistic in obtaining a favourable judgement in the Appeal.

OUTLOOK

Looking ahead to 2018, all eyes are on the Trump administration of the United States for his "US First" policy and the Federal rate hikes that may impact on global markets. The "US First" policy may change the rules of international trades, particularly trades with China. The Federal rates may rise at a faster pace than forecast given that the US economy looks robust.

The economy of China will show signs of further improvement in 2018. The Ministry of Finance has set the growth target of GDP at around 6.5% for the year, which is still an encouraging growth rate for such a large and complex economy. The State Council will continue its efforts on supply-side structural reforms as well as curbs on capital outflows and overleveraging. Renminbi will continue to be strong in coming year. However, the property market in Tier-1 cities remains strong, and the e-commerce continues to play the lead role in the consumer market.

Having considered these matters, the Directors will keep on a cautious approach in its property development projects on hand and re-mapping its business directions for the coming three years and are of the view that the Group should diversify its business. It is anticipated that the engagement in renewable energy and related industries will be a new business model all over the world in the forthcoming years.

With strong asset backing and low gearing ratio for the Group's financial position, the Group may take these advantages to explore new business opportunities in 2018 and 2019. The Directors will also strengthen its management expertise and redeploy the Group's resources for meeting these new challenges.

Looking ahead, the Directors are confident and optimistic about the Group's future prospects.

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 year, 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.

Pursuant to the bye-laws of the Company, the Managing Director of the Company shall not be subject to retirement by rotation. However, the Managing Director of the Company had voluntarily retired by rotation every three years and offered himself for re-election at the Company's general meetings in the past years. The Directors consider that this practice is in line with the spirit of the relevant practice of the Code.

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 to 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 annual report.

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

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

REVIEW OF PRELIMINARY RESULTS ANNOUNCEMENT BY INDEPENDENT AUDITOR

The figures in respect of the Group's consolidated statement of financial position, consolidated income statement, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2017 as set out in the preliminary results announcement have been agreed by the Company's auditor, to the amounts set out in the Group's consolidated financial statements for the year. The work performed by the Company's auditor in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently, no assurance has been expressed by the Company's auditor on the preliminary results announcement.

AUDIT COMMITTEE

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

DISCLOSURE OF INFORMATION ON THE WEBSITE OF THE STOCK EXCHANGE

The annual report of the Group for the year ended 31 December 2017 containing all information required by Appendix 16 of the Listing Rules will be sent to the shareholders of the Company as well as released on the web site of the Stock Exchange as soon as practicable.

By Order of the Board
Ho Kam Hung
Executive Director

Hong Kong, 28 February 2018

As at the date of this announcement, the board of directors of the Company comprises: (i) Ho Kam Hung as executive director; (ii) Young Kwok Sui as non-executive director; and (iii) Tam Kong, Lawrence, Wong Miu Ting, Ivy and Wong Kui Fai as independent non-executive directors.