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 2010

UNAUDITED INTERIM RESULTS

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 2010 (the "Interim Results"), together with the comparative figures for the corresponding period in 2009, as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

		For the six months ended 30 June	
		2010	2009
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
Revenue	2	**16,570**	16,425
Other income		**427**	246
Administrative expenses		**(4,504)**	(7,585)
Finance costs	3	**(5,286)**	(17,250)
PROFIT/(LOSS) BEFORE TAX	4	**7,207**	(8,164)
Income tax expense	5	**(2,742)**	(2,983)
PROFIT/(LOSS) FOR THE PERIOD		**4,465**	(11,147)
ATTRIBUTABLE TO:			
Ordinary equity holders of the Company		**739**	(14,438)
Non-controlling interests		**3,726**	3,291
		4,465	(11,147)
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	7		
– Basic		**HK0.49 cents**	HK(9.61) cents
– Diluted		**N/A**	N/A

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the six months ended 30 June	
	2010	2009
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Profit/(loss) for the period	**4,465**	(11,147)
Other comprehensive income		
Exchange differences on translation of foreign operations	**17,935**	17,087
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**22,400**	5,940
Total comprehensive income attributable to:		
Ordinary equity holders of the Company	**6,272**	(8,988)
Non-controlling interests	**16,128**	14,928
	22,400	5,940

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	30 June 2010 (Unaudited) HK$'000	31 December 2009 (Audited) HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**7,756**	8,212
Investment properties		**3,047,770**	3,022,022
Total non-current assets		**3,055,526**	3,030,234
CURRENT ASSETS			
Properties held for sales		**37,724**	37,393
Trade receivables	*8*	**58,474**	42,499
Prepayments, deposits and other receivables		**63,347**	59,107
Pledged deposits		**–**	18,080
Cash and cash equivalents		**17,305**	23,316
Total current assets		**176,850**	180,395
CURRENT LIABILITIES			
Trade payables	*9*	**(26,552)**	(26,319)
Tax payable		**(33,950)**	(30,956)
Other payables and accruals		**(83,543)**	(77,438)
Interest-bearing bank and other borrowings		**(6,724)**	(22,748)
Total current liabilities		**(150,769)**	(157,461)
NET CURRENT ASSETS		**26,081**	22,934
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,081,607**	3,053,168
NON-CURRENT LIABILITIES			
Loan from a director		**(72,937)**	(72,297)
Due to a director		**(79,668)**	(74,604)
Long term other payables		**(177,976)**	(180,000)
Interest-bearing bank and other borrowings		**(63,001)**	(65,909)
Deferred tax liabilities		**(623,890)**	(618,623)
Total non-current liabilities		**(1,017,472)**	(1,011,433)
Net assets		**2,064,135**	2,041,735
EQUITY			
Equity attributable to equity holders of the Company			
Issued capital		**15,140**	15,140
Reserves		**632,574**	626,302
		647,714	641,442
Non-controlling interests		**1,416,421**	1,400,293
Total equity		**2,064,135**	2,041,735

Notes:

1. BASIS OF PREPARATION AND 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 2009, 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 mandatory for the accounting period beginning on or after 1 January 2010:

HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-based Payment – Group Cash-settled Share-based Payment Transactions*
HKFRS 3 (Revised)	*Business Combinations*
HKAS 18 Amendment	*Revenue*
HKAS 27 (Revised)	*Consolidated and Separate Financial Statements*
HKAS 39 Amendment	Amendment to HKAS 39 *Financial Instruments: Recognition and Measurement – Eligible Hedged Items*
HK(IFRIC)-Int 17	*Distributions of Non-cash Assets to Owners*
Amendments to HKFRS 5 *included in Improvements to HKFRSs* issued in October 2008	Amendments to HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations –Plan to Sell the Controlling Interest in a Subsidiary*
HK Interpretation 4 (Revised in December 2009)	*Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases*

The Group applies HKFRS 3 (Revised) Business Combinations prospectively to business combinations for which the acquisition date is on or after 1 January 2010. The requirements in HKAS 27 (Revised) Consolidated and Separate Financial Statements in relation to accounting for changes in ownership interests in a subsidiary after control is obtained and for loss of control of a subsidiary are also applied prospectively by the Group on or after 1 January 2010.

As there was no transaction during the current interim period in which HKFRS 3 (Revised) and HKAS 27 (Revised) are applicable, the application of HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to other HKFRSs had no effect on the interim financial statements of the Group for the current or prior accounting periods.

Results of the Group in future periods may be affected by future transactions for which HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to the other HKFRSs are applicable.

The adoption of the other new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has not early applied the following new standards, amendments or interpretations that have been issued but are not yet effective in these financial statements.

HKFRS 1 Amendment	Amendment to HKFRS 1 *Limited Exemption from Comparatives HKFRS 7 Disclosures for First-time Adopters*[2]
HKFRS 9	*Financial Instruments*[4]
HKAS 24 (Revised)	*Related Party Disclosures*[3]
HKAS 32 Amendment	Amendment to HKAS 32 *Financial Instruments: Presentation – Classification of Rights Issues*[1]
HK(IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC)-Int 14 *Prepayments of a Minimum Funding Requirement*[3]
HK(IFRIC)-Int 19	*Extinguishing Financial Liabilities with Equity Instruments*[2]

1 Effective for annual periods beginning on or after 1 February 2010
2 Effective for annual periods beginning on or after 1 July 2010
3 Effective for annual periods beginning on or after 1 January 2011
4 Effective for annual periods beginning on or after 1 January 2013

2. OPERATING SEGMENT INFORMATION

For management purposes, the business units of the Group are classified based on their services and two reportable operating segments are determined as follows:

(a) the property investment segment, which invests in properties located in the Mainland of the People's Republic of China ("Mainland China") for rental income potential; and

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

The accounting policies of the operating segments are the same as those described in the Group's financial statements for the year ended 31 December 2009.

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

The following table presents revenue and results information for the Group's operating segments:

For the six months ended 30 June

	Property investment		**Corporate and others**		**Total**	
	2010	2009	**2010**	2009	**2010**	2009
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)	**(Unaudited)**	(Unaudited)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:						
Sales to external customers	**16,570**	16,425	**–**	–	**16,570**	16,425
Segment results	**15,800**	13,530	**(3,734)**	(4,690)	**12,066**	8,840
Other income					**427**	246
Finance costs					**(5,286)**	(17,250)
Profit/(loss) before tax					**7,207**	(8,164)
Income tax expense					**(2,742)**	(2,983)
Profit/(loss) for the period					**4,465**	(11,147)

Information about major customers

For the six months ended 30 June 2010 (the "Period"), aggregate revenue from three customers (2009: three) with each of whom transactions had exceeded 10% of the Group's total revenue amounted to approximately HK$16,245,000 (2009: HK$16,104,000).

3. FINANCE COSTS

	For the six months ended 30 June	
	2010	2009
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest on:		
Bank loans	**2,380**	1,109
Finance lease	**27**	46
Convertible bond	**–**	3,131
Loan from a director	**2,852**	2,827
Deferred completion of the second and third tranches in relation to an acquisition	**–**	10,085
Other loan	**27**	52
	5,286	17,250

4. PROFIT/(LOSS) BEFORE TAX

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

	For the six months ended 30 June	
	2010	2009
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Depreciation	**518**	519
Interest income	**(91)**	(24)
Net rental income	**(16,570)**	(16,425)

5. INCOME TAX EXPENSE

	For the six months ended 30 June	
	2010	2009
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Provision for the period:		
Hong Kong	**–**	–
Elsewhere	**2,742**	2,983
Deferred taxation	**–**	–
	2,742	2,983

No provision for Hong Kong profits tax had been made as the Group did not generate any taxable profits in Hong Kong during the Period (2009: 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. The subsidiaries established in Mainland China are subject to income taxes at the rate of 25% (2009: 25%).

6. INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the Period (2009: Nil).

7. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of basic earnings/loss per share for the Period is based on the profit attributable to ordinary equity holders of the Company of HK$739,000 (2009: loss of HK$14,438,000) and the weighted average number of 151,404,130 (2009: 150,299,158) ordinary shares in issue during the Period.

Diluted loss per share for the Period had not been disclosed as there were no convertible bond and share options outstanding during the Period. Diluted loss per share for the six months ended 30 June 2009 had not been disclosed as the convertible bond and share options outstanding had anti-dilutive effect on the basic loss per share.

8. TRADE RECEIVABLES

An aged analysis of the Group's trade receivables at the end of the reporting period is as follows:

	30 June 2010 (Unaudited)		31 December 2009 (Audited)	
	HK$'000	*%*	*HK$'000*	*%*
Within 6 months	**13,693**	**23**	19,648	46
More than 6 months but within 1 year	**–**	**–**	–	–
More than 1 year	**44,781**	**77**	22,851	54
	58,474	**100**	42,499	100
Portion classified as current assets	**(58,474)**		(42,499)	
Non-current assets	**–**		–	

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

An amount of HK$23,053,000 (2009: HK$22,851,000) included in the total trade receivables of the Group are attributable to properties sold in prior years.

9. TRADE PAYABLES

An aged analysis of the Group's trade payables at the end of the reporting period is as follows:

	30 June 2010 (Unaudited)		31 December 2009 (Audited)	
	HK$'000	*%*	*HK$'000*	*%*
Within 6 months	**–**	**–**	–	–
More than 6 months but within 1 year	**–**	**–**	–	–
More than 1 year	**26,552**	**100**	26,319	100
	26,552	**100**	26,319	100

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

REVIEW OF RESULTS

The Group's consolidated turnover for the Period was HK$16.57 million, which is almost the same level compared with the same period last year (30 June 2009: HK$16.43 million). The Group's profit for the Period was HK$4.47 million (30 June 2009: loss of HK$11.15 million), which improvement was mainly attributable to the saving of interests on a convertible bond and deferred completion of a material acquisition for HK$13.2 million. The Group's profit attributable to equity shareholders was HK$0.74 million for the Period (30 June 2009: loss of HK$14.44 million).

BUSINESS REVIEW

The Group is principally engaged in property investment and development in Mainland China and has 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 16-storey plus a basement 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 clothing and footwear wholesale centre in the region. The Group has 100% interest in 7 floors of and 60% interest in the basement of Guang Yu Square with a total gross floor area of approximately 26,500 sq.m. and all of them are almost fully let. The Group is contemplating plan for repurchases of two additional floors which were sold to individual occupiers some years ago.

The property interest in Guangzhou (廣州市) is situated at the most prime commercial area in Yuexiu District (越秀區) with a total site area of approximately 22,800 sq.m. It is planned that the development site will be developed into a versatile grade A commercial building complex with wholesale and exhibition hall facilities having a total gross floor area of approximately 234,000 sq.m. 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) ("Guangzhou Zheng Da") which in turn Zheng Da Real Estate Development Co, Ltd. ("Zheng Da") has 100% interest.

Guangzhou Zheng Da was set up as a Sino-foreign joint venture by Zheng Da as the foreign partner and 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 Guangzhou 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 Guangzhou Zheng Da except those benefits specified in the Enforcement Rules and therefore Zheng Da assumed 100% interest in Guangzhou Zheng Da.

The Group acquired an 25% indirect interest in Zheng Da in December 2007 while the remaining 75% indirect interest to be completed by the Group not later than 30 June 2011 (subject to revised terms for settlement of consideration for, and completion timetable in relation to the uncompleted tranches of the acquisition). 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 announcements dated 31 March 2009, 29 June 2009, 17 December 2009 and 22 June 2010 (primarily refers to the deferment of the long stop date for completion of the acquisition from 31 March 2009 to 30 June 2011).

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 from time to time in the past years. Pursuant to the terms of the relevant joint venture agreement, the joint venture period of Guangzhou 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 Guangzhou Zheng Da and its foreign partner, Zheng Da, agreed to extend the joint venture period by 15 years with effect from 1 January 2009 but its Sino partner withheld its consent to such extension. As such, Guangzhou Zheng Da filed a petition at the Yuexiu District People's Court (越秀區人民法院) in late December 2008 demanding for disqualification of the Sino partnership of the subject joint venture. Judgment was obtained in July 2009 with rulings endorsing the forfeiture of the partnership qualification and legal entitlements of the Sino partner in the joint venture. The Sino partner then filed an appeal petition (the "Appeal") at the Guangzhou Municipal Middle People's Court (廣州市中級人民法院) in August 2009 and a hearing was made in October 2009. Both Guangzhou Zheng Da and Zheng Da have not yet received any notice of judgement or written judgment in respect of the Appeal from the relevant authority to-date. Details of the developments of the Appeal were disclosed in the Company's announcements dated 11 February, 22 April, 22 June and 16 August 2010.

The development site at the Yuexiu District (越秀區) is presently comprised of a 2-storey non-permanent commercial podium with a car park and operated as a shoes and footwear wholesale and distribution outlet. With a legend of over one hundred years as footwear trading hub in the area surrounding the development site, the footwear distribution outlet is very prosperous and almost fully let.

FINANCIAL REVIEW

Liquidity and financial resources

The Group generally financed its businesses with internally generated cash flows and banking facilities during the Period. Cash and bank balances of the Group as at 30 June 2010 amounted to HK$17.31 million (31 December 2009: HK$23.32 million). As at 30 June 2010, there were no pledged deposits (31 December 2009: HK$18.08 million).

As at 30 June 2010, the Group had outstanding borrowings of approximately HK$226.67 million (31 December 2009: HK$244.96 million) comprising interest-bearing bank loans amounted to HK$69.08 million (31 December 2009: HK$87.70 million), certain long term other payables amounted to HK$84.00 million (31 December 2009: HK$84.00 million), finance lease payable amounted to HK$0.65 million (31 December 2009: HK$0.96 million), and loan from a director amounted to HK$72.94 million (31 December 2009: HK$72.30 million). Of the Group's interest-bearing bank loans, 9%, 9%, 40% and 42% respectively were repayable within one year or on demand, in the second year, in the third to fifth years, inclusive and beyond five years.

As at 30 June 2010, the secured bank loans of HK$69.08 million (31 December 2009: HK$87.70 million) and the finance lease payables of HK$0.65 million (31 December 2009: HK$0.96 million) of the Group bore interest at floating interest rate and fixed interest rate, respectively. The secured bank loan of HK$19.50 million (31 December 2009: HK$20.60 million) and finance lease payables of the Group are denominated in Hong Kong dollars. HK$49.58 million (31 December 2009: HK$67.10 million) of the secured bank loans are denominated in Renminbi.

The Group's gearing ratio as at 30 June 2010 was 0.07 (31 December 2009: 0.08), calculated based on the Group's borrowings of HK$226.67 million (31 December 2009: HK$244.96 million) over total assets of HK$3,232.38 million (31 December 2009: HK$3,210.63 million). The Group's gearing was maintained at a relatively low level during the Period.

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$69.08 million (31 December 2009: HK$87.70 million) as at 30 June 2010. The loans were charged by the Group's investment properties and corporate guarantee executed by the Company.

Contingent liabilities

As at 30 June 2010, guarantees given for mortgage loans granted by banks to certain purchasers of the Group's properties amounted to HK$0.14 million (31 December 2009: HK$0.14 million).

EMPLOYEES AND REMUNERATION POLICY

The total staff cost for the Period was HK$1.4 million. The Group employed about 21 full time staff in Hong Kong, Chongqing and Guangzhou as at 30 June 2010. 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 and Guangzhou, the Group provided staff welfare and bonuses to its employees in accordance with the prevailing labour law. In Hong Kong, other staff benefits included medical schemes, Mandatory Provident Fund Schemes and employee share option scheme.

PROSPECTS

Despite the State Council is taking stricter measures to cool down the booming property market in most cities, the Group remains optimistic in the development potential and prospects of the property market in Mainland China in the medium to long term spectrum. The Group also considers that the location spread of its investment property projects in Chongqing, the capital city of the western China, and Guangzhou, the capital city of the southern China, may, to a better extent, diversify the business risks of different economic magnitude of the two regions. As such, the investment properties in Chongqing and Guangzhou, on a consolidated basis, generated about 40% and 60% of the Group's total revenue respectively during the Period.

The Group expects that the investment potential of the Guang Yu Square (港渝廣場) will be further improved in the medium term, as the Chongqing Municipal Government is prepared to undergo a major urban re-development (城市改造工程) at Chaotinanmen (朝天門) in the coming years so that most old and poor managed buildings surrounding the Guang Yu Square will be demolished. To couple with this major urban re-development, the Group intends to refurbish the Guang Yu Square to upgrade its facilities and exterior design.

The development project in the Yuexiu District (越秀區), Guangzhou (廣州市) was intended to be completed in 2013 but the construction schedule is deferred pending the outcome of rulings of the Appeal. Meantime, the non-permanent commercial podium at the development site continues to operate as a shoes and footwear whole sale and distribution outlet and is almost fully let.

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 Period, 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.

The Managing Director of the Company, though without a specific term, had retired and voluntarily offered himself for re-election at general meetings in the past years. The Directors consider that this practice, though is voluntary by nature, is in line with the spirit of the Code's practice.

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 of 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 Company's interim report.

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.

REVIEW BY AUDIT COMMITTEE

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

PUBLICATION OF THE INTERIM REPORT FOR THE SIX MONTHS ENDED 30 JUNE 2010

The Company's interim report for the six months ended 30 June 2010 will be despatched to shareholders and will be published on the website of Hong Kong Exchange and Clearing Limited (www.hkex.com.hk) as well as the website of the Company (www.zhonghuagroup.com) as soon as practicable.

By order of the Board
Ho Kam Hung
Executive Director

Hong Kong, 24 August 2010

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

* *For identification purpose only*