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 2012

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 2012 (the "Interim Results"), together with the comparative figures for the corresponding period in 2011, as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

		For the six months ended 30 June	
		2012	2011
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
Revenue	2	**17,528**	16,958
Other income		**207**	292
Administrative expenses		**(12,503)**	(7,650)
Finance costs	3	**(5,555)**	(5,408)
PROFIT/(LOSS) BEFORE TAX	4	**(323)**	4,192
Income tax expense	5	**(1,370)**	(2,091)
PROFIT/(LOSS) FOR THE PERIOD		**(1,693)**	2,101
ATTRIBUTABLE TO:			
Ordinary equity holders of the Company		**(4,774)**	(1,092)
Non-controlling interests		**3,081**	3,193
		(1,693)	2,101
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	7		
– Basic		**HK(3.15) cents**	HK(0.72) cents
– Diluted		**HK(3.15) cents**	HK(0.72) cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Profit/(loss) for the period	**(1,693)**	2,101
Other comprehensive income/(expense)		
Exchange differences on translation of foreign operations	**(1,050)**	39,361
TOTAL COMPREHENSIVE INCOME/(EXPENSE) FOR THE PERIOD	**(2,743)**	41,462
Total comprehensive income/(expense) attributable to:		
Ordinary equity holders of the Company	**(5,824)**	11,948
Non-controlling interests	**3,081**	29,514
	(2,743)	41,462

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	30 June 2012 (Unaudited) HK$'000	31 December 2011 (Audited) HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**7,719**	8,024
Investment properties		**3,545,844**	3,545,844
Total non-current assets		**3,553,563**	3,553,868
CURRENT ASSETS			
Properties held for sales		**40,702**	40,702
Trade receivables	8	**11,757**	11,544
Deposits and other receivables		**15,296**	13,794
Cash and bank balances		**19,395**	59,148
Total current assets		**87,150**	125,188
CURRENT LIABILITIES			
Trade payables	9	**(2,847)**	(246)
Tax payable		**(30,368)**	(28,998)
Other payables and accruals		**(41,364)**	(85,191)
Interest-bearing bank and other borrowings		**(7,185)**	(6,915)
Total current liabilities		**(81,764)**	(121,350)
NET CURRENT ASSETS		**5,386**	3,838
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,558,949**	3,557,706
NON-CURRENT LIABILITIES			
Loan from a director		**(78,695)**	(78,695)
Due to a director		**(123,351)**	(115,599)
Long term other payables		**(122,693)**	(122,814)
Interest-bearing bank and other borrowings		**(53,821)**	(57,466)
Deferred tax liabilities		**(737,430)**	(737,430)
Total non-current liabilities		**(1,115,990)**	(1,112,004)
Net assets		**2,442,959**	2,445,702
EQUITY			
Equity attributable to equity holders of the Company			
Issued capital		**15,140**	15,140
Reserves		**749,170**	754,994
		764,310	770,134
Non-controlling interests		**1,678,649**	1,675,568
Total equity		**2,442,959**	2,445,702

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 2011, 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 2012:

HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Transfers of Financial Assets*
HKAS 12 Amendments	Amendments to HKAS 12 *Income Taxes – Deferred Tax: Recovery of Underlying Assets*

The adoption of these new and revised 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 applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these interim financial statements.

HKFRS 1 Amendments	Amendment to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards-Government Loans*[2]
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities*[2]
HKFRS 9	*Financial Instruments*[4]
HKFRS 10	*Consolidated Financial Statements*[2]
HKFRS 11	*Joint Arrangements*[2]
HKFRS 12	*Disclosure of Interests in Other Entities*[2]
HKFRS 13	*Fair Value Measurement*[2]
HKAS 1 Amendments	Amendment to HKAS 1 *Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income*[1]
HKAS 19 (2011)	*Employee Benefits*[2]
HKAS 27 (2011)	*Separate Financial Statements*[2]
HKAS 28 (2011)	*Investments in Associates and Joint Ventures*[2]
HKAS 32 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*[3]
HK(IFRIC)-Int 20	*Stripping Costs in the Production Phase of a Surface Mine*[2]
Annual Improvements Project	*Annual Improvements to HKFRSs 2009-2011 Cycle*[2]

[1] Effective for annual periods beginning on or after 1 July 2012
[2] Effective for annual periods beginning on or after 1 January 2013
[3] Effective for annual periods beginning on or after 1 January 2014
[4] Effective for annual periods beginning on or after 1 January 2015

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, the Group considers that these new and revised HKFRSs, if become effective, are unlikely to have a significant impact on the Group's results operations and financial position.

2. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their services and two reportable operating segments 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 2011.

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**	
	2012	2011	**2012**	2011	**2012**	2011
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)	**(Unaudited)**	(Unaudited)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:						
Sales to external customers	**17,528**	16,958	**–**	–	**17,528**	16,958
Segment results	**10,435**	13,467	**(5,410)**	(4,159)	**5,025**	9,308
Other income					**207**	292
Finance costs					**(5,555)**	(5,408)
Profit/(loss) before tax					**(323)**	4,192
Income tax expense					**(1,370)**	(2,091)
Profit/(loss) for the period					**(1,693)**	2,101

Information about major customers

For the six months ended 30 June 2012 (the "Period"), aggregate revenue from four customers (2011: four) with each of whom transactions had exceeded 10% of the Group's total revenue amounted to approximately HK$17,528,000 (2011: HK$16,958,000).

3. FINANCE COSTS

	For the six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest on:		
Bank loans	**2,459**	2,417
Finance lease	**19**	14
Loan from a director	**3,077**	2,977
	5,555	5,408

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	
	2012	2011
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Depreciation	**305**	589
Interest income	**(16)**	(15)
Net rental income	**(17,528)**	(16,958)

5. INCOME TAX EXPENSE

	For the six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Provision for the period:		
Elsewhere	**1,370**	2,091

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 (2011: 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% (2011: 25%).

6. INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the Period (2011: Nil).

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

The calculation of basic loss per share for the Period is based on the loss attributable to ordinary equity holders of the Company of HK$4,774,000 (2011: HK$1,092,000) and the weighted average number of 151,404,130 (2011: 151,404,130) ordinary shares in issue during the Period.

During the six months ended 30 June 2012 and 2011, the Group had no potentially dilutive ordinary shares in issue.

8. TRADE RECEIVABLES

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

	30 June 2012 (Unaudited)		**31 December 2011 (Audited)**	
	HK$'000	*%*	*HK$'000*	*%*
Within 6 months	**11,757**	**100**	6,004	52
More than 6 months but within 1 year	**–**	**–**	3,690	32
More than 1 year but within 2 years	**–**	**–**	1,850	16
	11,757	**100**	11,544	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 turnover and the due date of instalments as stipulated in the sales contracts.

9. TRADE PAYABLES

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

	30 June 2012 (Unaudited)		**31 December 2011 (Audited)**	
	HK$'000	*%*	*HK$'000*	*%*
Within 1 year	**2,608**	**92**	7	3
More than 1 year	**239**	**8**	239	97
	2,847	**100**	246	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$17.53 million, which is almost the same level compared with the same period last year (30 June 2011: HK$16.96 million). The Group's loss for the Period was HK$1.69 million (30 June 2011: profit of HK$2.10 million), which was mainly attributable to the increase in administrative expenses from HK$7.65 million to HK$12.50 million during the Period. The Group's loss attributable to equity shareholders was HK$4.77 million for the Period (30 June 2011: HK$1.09 million).

BUSINESS REVIEW

The Company is an investment holding Company. Its subsidiaries are 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") (a Hong Kong incorporated private company controlled by the Company's largest single shareholder and its associates) 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% interest to be completed by the Group not later than 30 June 2013 at an aggregate consideration of RMB1,361,100,000 (approximately HK$1,546,705,000). 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 announcements dated 31 March 2009, 29 June 2009, 17 December 2009, 22 June 2010, 24 June 2011 and 28 June 2012 (primarily refers to the deferment of the long stop date for completion of the acquisition from 31 March 2009 to 30 June 2013).

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 an 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 announcement dated 28 June 2012 and Company's 2011 annual report.

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 business in the area surrounding the development site, the commercial podium is the most popular footwear wholesale centre in Guangzhou.

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 2012 amounted to HK$19.40 million (31 December 2011: HK$59.15 million). As at 30 June 2012 and 31 December 2011, there were no pledged deposits.

As at 30 June 2012, the Group had outstanding borrowings of approximately HK$139.71 million (31 December 2011: HK$185.08 million) comprising interest-bearing bank loans amounted to HK$60.40 million (31 December 2011: HK$63.69 million), finance lease payable amounted to HK$0.61 million (31 December 2011: HK$0.69 million), and loan from a director amounted to HK$78.70 million (31 December 2011: HK$78.70 million). As at 31 December 2011, the Group also included certain long term other payables of HK$42 million as its outstanding borrowings. Of the Group's interest-bearing bank loans, 12%, 13%, 55% and 20% 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 2012, the secured bank loans of HK$60.40 million (31 December 2011: HK$63.69 million) and the finance lease payables of HK$0.61 million (31 December 2011: HK$0.69 million) of the Group bore interest at floating interest rate and fixed interest rate, respectively. The secured bank loan of HK$14.94 million (31 December 2011: HK$16.10 million) and finance lease payables of the Group are denominated in Hong Kong dollars. HK$45.46 million (31 December 2011: HK$47.59 million) of the secured bank loans are denominated in Renminbi.

The Group's gearing ratio as at 30 June 2012 was 0.04 (31 December 2011: 0.04), calculated based on the Group's interest-bearing bank and other borrowings and loan from a director of HK$139.71 million (31 December 2011: HK$143.08 million) over total assets of HK$3,640.71 million (31 December 2011: HK$3,679.06 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$60.40 million (31 December 2011: HK$63.69 million) as at 30 June 2012. The loans were charged by the Group's investment properties and corporate guarantee executed by the Company.

Contingent liabilities

As at 30 June 2012, guarantees given for mortgage loans granted by banks to certain purchasers of the Group's properties amounted to HK$0.14 million (31 December 2011: HK$0.14 million).

EMPLOYEES AND REMUNERATION POLICY

The total staff cost for the Period was HK$1.77 million. The Group employed about 20 full time staff in Hong Kong, Chongqing and Guangzhou as at 30 June 2012. 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 Scheme and employee share option scheme.

PROSPECTS

Despite the State Council has been 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 generated about 40% and 60% of the Group's total revenue respectively during the year under review.

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 has been undergoing a major urban re-development (城市改造工程) at Chaotianmen (朝天門) so that most old and poorly managed buildings surrounding the Guang Yu Square will be demolished in coming years. To couple with this major urban re-development, the Group is prepared 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 2014 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 footwear wholesale centre and to contribute 60% of the Group's total revenue.

Amid the forthcoming presidential election in the United States in late 2012, it is anticipated that the United States government will continue the quantitative easing policies in both fiscal and monetary sectors in order to boost its domestic economy. The European Community nations will take similar measures to stabilize the impact of the sovereign debt crisis and to maintain the market interest rates at an extremely low level. It is anticipated that the western economy will continue to enjoy a low interest rate environment with modest inflationary pressure in the forthcoming two years.

In Mainland China, the Government had been relaxing the money supply in the market by reducing the deposit reserve ratio and standard loan interest rate since early 2012. This may help to alleviate the extremely tight money flow in the market but the Government's determination on combating property prices remains. 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 foreseen that the engagement in renewable energy and related industries will be a new business model all over the world in the forthcoming years.

The tight money flow in the Mainland China market may not hit the Group's financial position to a material extent given of its strong asset backing and low gearing ratio. Instead, the Group may further lever on these advantages to explore new business opportunities in 2012 and 2013. In particular, the Directors will 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 from time to time 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 2012

The Company's interim report for the six months ended 30 June 2012 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, 28 August 2012

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) Mr. Tam Kong, Lawrence, Ms. Wong Miu Ting, Ivy and Mr. Wong Kui Fai as independent non-executive directors.

* *For identification purpose only*