



ZHONG HUA INTERNATIONAL HOLDINGS LIMITED

中華國際控股有限公司*

(Incorporated In Bermuda with limited liability)

FINAL AUDITED RESULTS FOR THE YEAR ENDED 31 DECEMBER 2002

RESULTS

		2002	2001
	Notes	HK\$'000	HK\$'000
TURNOVER	1	172,511	215,764
Cost of sales		(102,180)	(127,686)
Gross profit		70,331	88,078
Other revenue		99	56
Gain on disposal of interests in subsidiaries		9,170	–
Gain on partial disposal of interests in subsidiaries		–	15,752
Selling and distribution costs		(40,571)	(9,169)
Administrative expenses		(26,266)	(27,783)
Other operating expenses		(16,994)	(96)
PROFIT/(LOSS) FROM OPERATING ACTIVITIES	2	(4,231)	66,838
Finance costs	3	(6,301)	(3,251)
Share of losses of jointly-controlled entities		(160)	(108)
Amortisation and impairment of goodwill on acquisition of jointly-controlled entities		(176,350)	(10,870)
PROFIT/(LOSS) BEFORE TAX		(187,042)	52,609
Tax	4	(12,048)	(18,651)
PROFIT/(LOSS) BEFORE MINORITY INTERESTS		(199,090)	33,958
Minority interests		7,340	(1,893)
NET PROFIT/(LOSS) FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		(191,750)	32,065
Dividend – Interim	5	–	5,960
EARNINGS/(LOSS) PER SHARE	6		
Basic		HK(6.43) cents	HK1.08 cents
Diluted		N/A	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, the net invoiced value of goods sold, after allowances for returns and trade discounts, and gross rental income, after elimination of all significant intra-group transactions less any applicable turnover taxes.

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

	Sale and pre-sale of properties		Property investment		Corporate		Others		Consolidated	
	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:										
Sales to external customers	165,799	210,487	5,912	5,277	-	-	800	-	172,511	215,764
Other revenue and gains	-	-	-	-	9,170	15,752	-	-	9,170	15,752
Total	165,799	210,487	5,912	5,277	9,170	15,752	800	-	181,681	231,516
Segment results	10,751	63,096	3,097	1,719	(10,704)	1,967	(7,474)	-	(4,330)	66,782
Interest income									99	56
Profit/(loss) from operating activities									(4,231)	66,838
Finance costs									(6,301)	(3,251)
Share of losses of jointly-controlled entities and amortisation and impairment of goodwill on acquisition of jointly-controlled entities									(176,510)	(10,978)
Profit/(loss) before tax									(187,042)	52,609
Tax									(12,048)	(18,651)
Profit/(loss) before minority interests									(199,090)	33,958
Minority interests									7,340	(1,893)
Net profit/(loss) from ordinary activities attributable to shareholders									(191,750)	32,065

No geographical segment information is presented as over 90% of the Group's revenue is derived from customers based in the People's Republic of China (the "PRC").

2. Profit/(loss) from operating activities

The Group's profit/(loss) from operating activities is arrived at after charging/(crediting):

	2002	2001
	HK\$'000	HK\$'000
Cost of inventories sold	102,180	127,686
Depreciation	1,216	1,306
Impairment of goodwill arising during the year	7,000	-
Gross rental income from investment properties	(5,912)	(5,277)
Less: Outgoings	-	-
Net rental income	(5,912)	(5,277)
Exchange losses, net	879	276
Interest income	(99)	(56)

3. Finance costs

	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Interest expense on bank loans and overdrafts wholly repayable within five years	13,261	12,765
<i>Less:</i> Interest capitalised on properties under development	<u>(6,960)</u>	<u>(9,514)</u>
	<u>6,301</u>	<u>3,251</u>

4. Tax

	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Provision for the year:		
Hong Kong	–	–
Elsewhere	<u>12,048</u>	<u>18,651</u>
	<u>12,048</u>	<u>18,651</u>

No provision for Hong Kong profits tax has been made as the Group did not generate any taxable profits in Hong Kong during the year (2001: Nil).

The PRC tax has been calculated on the taxable income of the subsidiaries operating in the PRC at the applicable rates.

No provision for deferred tax has been made in respect of accelerated capital allowances as 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. Dividend

	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Interim – Nil per share (2001: HK0.2 cent, adjusted for the subdivision of shares on 9 August 2001 (the "Subdivision"))	<u>–</u>	<u>5,960</u>

The directors do not recommend the payment of any final dividend (2001: Nil) in respect of the year.

6. Earnings/(loss) per share

The calculation of basic earnings/(loss) per share is based on the net loss attributable to shareholders for the year of HK\$191,750,000 (2001: net profit of HK\$32,065,000) and the weighted average of 2,980,016,725 (2001: 2,980,016,725) ordinary shares in issue during the year. The weighted average number of ordinary shares in issue during the year ended 31 December 2001 used in the basic earnings per share calculation had been adjusted to reflect the Subdivision.

Diluted loss per share for the year ended 31 December 2002 has not been disclosed as the potential ordinary shares outstanding during the year had an anti-dilutive effect on the basic loss per share for the year.

The calculation of diluted earnings per share for the year ended 31 December 2001 was based on the net profit from ordinary activities attributable to shareholders for that year of HK\$32,065,000. The weighted average number of ordinary shares used in the calculation was the 2,980,016,725 ordinary shares in issue during that year, as used in the basic earnings per share calculation, and the weighted average of 38,112,465 ordinary shares assumed to have been issued at no consideration on deemed exercise of all share options during that year.

DIVIDEND

The Directors do not recommend the payment of any dividend for the year ended 31 December 2002.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be temporarily closed from Wednesday, 28 May 2003 to Thursday, 29 May 2003, 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 Thursday, 29 May 2003, 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 28th Floor, BEA Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong for registration not later than 4:00 p.m. on Tuesday, 27 May 2003.

RESULTS

The Directors are pleased to report that the Group recorded a turnover of HK\$172,511,000, net loss from ordinary activities attributable to shareholders of HK\$191,750,000, and basic loss per share of HK6.43 cents for the year ended 31 December 2002. These figures represented decrease of approximating 20%, 698% and 695%, respectively when compared to 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 for the year ended 31 December 2001. The diluted earnings per share was HK1.06 cents for the year ended 31 December 2001.

BUSINESS REVIEW

The Group's turnover in the year ended 31 December 2002 mainly comprised pre-sale of Phase III of the residential units currently under construction at Haizhu Peninsula Garden in Guangzhou, the PRC, together with rental income generated from the commercial podiums located in Guangzhou and Chongqing, the PRC.

The net loss of the Group for the year was mainly resulted from an impairment of goodwill arising on the acquisition of I-Action Agents Limited and its subsidiaries, which are engaged in the provision of technology consultancy services for the operation of the phone payment gateway, together with the impairment of goodwill arising on the acquisition of a subsidiary which is engaged in the sale of online English learning courses.

Property development and investment

The residential units of Phase III of Haizhu Peninsula Garden had been sold up to 64% up to the end of 2002. During the year, the Group had disposed of the equity interests in Ample Dragon Limited and its subsidiaries, which are principally engaged in the property development and investment in Haizhu Peninsula Garden. The Group ceased to own any shares or have any interest in Ample Dragon Limited upon the completion of the disposal on 31 December 2002.

The commercial units in Gang Yu Square in Chongqing, the PRC, were leased out in the year ended 31 December 2002 and the occupancy rate was highly satisfactory.

Sale of online English learning courses

The Group is engaged in the sale 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.

The Group, after conducting extensive researches, commenced the business since 2002. The Group had entered into contracts with several large-scale corporate customers and sub-distributors and has been negotiating with several multinational clients in recent months.

Provision of exclusive technology consultancy services

In early 2002, the Group had conducted large-scale marketing campaign with GNET (廣東省銀行卡網絡服務中心) to promote the use of phone banking services in Guangzhou, the PRC. Service contracts with major telecommunication and other companies to serve as their phone banking payment service provider in Guangdong Province excluding Shenzhen had been obtained during the year. The business is still in the early stage of development and the Group expects that the income from the services will increase in the 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 2002 amounted to HK\$40,857,000 (31 December 2001: HK\$55,174,000) and pledged deposits of HK\$2,200,000 (2001: HK\$4,071,000) while interest-bearing bank loans and borrowings for the Group amounted to HK\$51,126,000 (31 December 2001: HK\$193,451,000) of which 21%, 19%, 30% and 30% respectively are repayable within one year or on demand, in the second year, in the third to fifth years, inclusive, and beyond five years. No bank loan and borrowings (31 December 2001: HK\$181,751,000) is charged at fixed interest rates as at 31 December 2002.

The Group's gearing ratio as at 31 December 2002 was 0.16 (31 December 2001: 0.33), calculated based on the Group's total liabilities, excluding deferred income, of HK\$119,529,000 (31 December 2001: HK\$574,620,000) over total assets of HK\$765,242,000 (31 December 2001: HK\$1,719,354,000).

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\$51,126,000 (31 December 2001: HK\$193,451,000) as at 31 December 2002. The bank loans were secured by certain of the Group's investment properties and a corporate guarantee executed by the Company.

Contingent Liabilities

As at 31 December 2002, guarantees given for mortgage loans granted by banks to certain purchasers of the Group's properties amounted to HK\$22,006,000 (31 December 2001: HK\$353,791,000).

Material Acquisitions and Disposals of Subsidiaries

On 25 October 2002, the Group entered into a conditional agreement for the disposal of 51% equity interest of Ample Dragon Limited for a consideration of HK\$350 million. The principal activities of Ample Dragon Limited and its subsidiaries are mainly engaged in property development and investment in Haizhu Peninsula Garden in Guangzhou, the PRC.

Details of the disposal of Ample Dragon Limited had been set out in a circular of the Company dated 13 December 2002. The transaction was completed on 31 December 2002 and the Group ceased to own any shares or have any interest in Ample Dragon Limited. The total gain on disposal is HK\$160 million, of which HK\$9 million had been reflected in the Group's consolidated profit and loss account and HK\$151 million had been recorded as deferred income in the consolidated balance sheet.

Employee and Remuneration Policy

The Group employed approximately 21 full time staff in Hong Kong and Chongqing, the PRC, as at 31 December 2002. 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, 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.

PROSPECTS

The Group is optimistic with the significant economic growth in the PRC and therefore creates numerous investment opportunities. The Group will continue its diversification with a view to broaden its business scope and increase sources of revenue. With a capacity of free up capital resulted from the disposal of Ample Dragon Limited, the Group is now continuing to evaluate attractive investment opportunities in the PRC with an aim to maximize shareholders' return and lead to encouraging results to the Group in long run.

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

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 Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (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 2002 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, 28 April 2003

* *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 Park Lane Hong Kong, Park Lane IV, 27th Floor, 310 Gloucester Road, Hong Kong, at 10:30 a.m. on Thursday, 29 May 2003 for the following purposes:

1. 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 2002.
2. To re-elect Directors and to fix their remuneration.
3. To re-appoint Auditors and to authorize the Directors to fix their remuneration.
4. 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:**

- (a) 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;

- (b) 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
- (c) for the purposes of this Resolution, “Relevant Period” means the period from the passing of this Resolution until whichever is the earlier of:
 - (i) the conclusion of the next annual general meeting of the Company;
 - (ii) 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
 - (iii) 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:

- (a) 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;
- (b) 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;
- (c) 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:
 - (i) a Rights Issue (as hereinafter defined) ;
 - (ii) an issue of shares as scrip dividends pursuant to the bye-laws of the Company from time to time;
 - (iii) an issue of shares of the Company upon the exercise of the subscription or conversion rights under the terms or any warrants or other securities issued by the Company carrying a right to subscribe for shares of the Company; and

- (iv) 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
- (d) for the purpose of this Resolution,
“Relevant Period” means the period from the passing of this Resolution until whichever is the earlier of:
 - (i) the conclusion of the next annual general meeting of the Company;
 - (ii) 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
 - (iii) 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; and

“Rights Issue” means the allotment issue or grant of shares pursuant to an offer of shares open for a period fixed by the Directors to holders of shares of the Company whose names appear on the register of members of the Company on a fixed record date in proportion to their then holdings of such shares as at that date (subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognized regulatory body or any stock exchange in, any territory outside Hong Kong applicable to the Company).

- C. **THAT** subject to the passing of Resolutions No. 4A and No. 4B 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. 4B 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. 4A 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, 28 April, 2003

Notes:

1. 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.
2. 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 28th Floor, BEA Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong not less than forty-eight hours before the time appointed for holding the meeting.

3. Concerning Resolution No. 4A 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 from the Company to be enclosed with the 2002 annual report.
4. Concerning Resolution No. 4B 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.