



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 2006

The Board of Directors (the “Directors”) of Zhong Hua International Holdings Limited (the “Company”) would like to announce the audited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the year ended 31 December 2006 (the “Annual Results”), together with the comparative figures for the corresponding period in 2005 as follows:

CONSOLIDATED INCOME STATEMENT

	Notes	2006 HK\$'000	2005 HK\$'000 (Restated)
CONTINUING OPERATIONS			
REVENUE	2	12,562	10,400
Cost of sales		<u>(5,656)</u>	<u>(5,656)</u>
Gross profit		6,906	4,744
Other income		1,944	1,602
Change in fair value of investment properties		–	97,932
Gain on disposal of interests in subsidiaries		–	22,568
Administrative expenses		(16,561)	(17,672)
Other operating expenses, net		(10,511)	(6,000)
Finance costs	3	<u>(2,367)</u>	<u>(3,167)</u>
PROFIT/(LOSS) BEFORE TAX	4	(20,589)	100,007
Tax	5	<u>(223)</u>	<u>(34,090)</u>
PROFIT/(LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS		(20,812)	65,917
DISCONTINUED OPERATION	6		
Loss for the year from a discontinued operation		<u>(124,949)</u>	<u>(79,677)</u>
LOSS FOR THE YEAR		<u>(145,761)</u>	<u>(13,760)</u>
Attributable to:			
Equity holders of the Company		(145,761)	(13,771)
Minority interests		<u>–</u>	<u>11</u>
		<u>(145,761)</u>	<u>(13,760)</u>

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

8

Basic

– For loss for the year	<u>HK(26.02) cents</u>	<u>HK(3.10) cents</u>
– For profit/(loss) for the year from continuing operations	<u>HK(3.71) cents</u>	<u>HK14.81 cents</u>

Diluted

– For loss for the year	<u>N/A</u>	<u>N/A</u>
– For profit for the year from continuing operations	<u>N/A</u>	<u>HK14.39 cents</u>

CONSOLIDATED BALANCE SHEET

	<i>Notes</i>	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		13,962	118,176
Investment properties		291,800	285,000
Intangible assets		7,861	16,490
Goodwill		–	79,788
Interests in jointly-controlled entities		–	–
Prepaid rental		–	17,179
Deposits and other receivable		57,953	40,000
Pledged deposits		404	354
Total non-current assets		<u>371,980</u>	<u>556,987</u>
CURRENT ASSETS			
Trade receivables	9	25,954	45,954
Prepayments, deposits and other receivables		13,259	18,541
Cash and cash equivalents		178,602	133,151
Total current assets		<u>217,815</u>	<u>197,646</u>
CURRENT LIABILITIES			
Trade payables	10	(12,649)	(31,333)
Tax payable		(12,039)	(16,895)
Other payables and accruals		(17,187)	(22,773)
Interest-bearing bank and other borrowings		(5,602)	(31,762)
Deferred income		(18,057)	(18,057)
Convertible bond		–	(29,782)
Total current liabilities		<u>(65,534)</u>	<u>(150,602)</u>
NET CURRENT ASSETS		<u>152,281</u>	<u>47,044</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>524,261</u>	<u>604,031</u>

NON-CURRENT LIABILITIES

Interest-bearing bank and other borrowings	(19,941)	(22,893)
Deferred tax liabilities	(51,430)	(55,093)
Total non-current liabilities	(71,371)	(77,986)
Net assets	452,890	526,045

EQUITY

Equity attributable to equity holders of the Company		
Issued capital	122,648	98,048
Reserves	330,242	427,997
Total equity	452,890	526,045

Notes:

1. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which also include 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.

The Group has adopted the following new and revised HKFRSs for the first time for the current year’s financial statements:

HKAS 21 Amendment	Net Investment in a Foreign Operation
HKAS 39 & HKFRS 4 Amendments	Financial Guarantee Contracts
HKAS 39 Amendment	The Fair Value Option
HK(IFRIC)-Int 4	Determining whether an Arrangement contains a Lease

The adoption of the above new and revised standards and interpretations has had no material impact on these financial statements.

Impact of issued but not yet effective Hong Kong Financial Reporting Standards

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements:

HKAS 1 Amendment	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HKFRS 8	Operating Segments
HK(IFRIC)-Int 7	Applying the Restatement Approach under HKAS 29 <i>Financial Reporting in Hyperinflationary Economies</i>
HK(IFRIC)-Int 8	Scope of HKFRS 2
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment
HK(IFRIC)-Int 11	HKFRS 2 – Group and Treasury Share Transactions
HK(IFRIC)-Int 12	Service Concession Arrangements

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, it has concluded that while the adoption of HKAS 1 Amendment, HKFRS 7 and HKFRS 8 may result in new or amended disclosures, these new and revised HKFRSs should not have any significant impact on the Group’s results of operations and financial position.

2. TURNOVER AND SEGMENT INFORMATION

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

	Continuing operations						Discontinued operation				Consolidated	
	Property investment		Corporate and others		Leasing of equipment		Total		Telecommunication and other related services			
	2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000
Segment revenue:												
Sales to external customers	8,790	6,722	-	-	3,772	3,678	12,562	10,400	177	6,813	12,739	17,213
Other revenue and gains	-	97,932	-	22,568	-	-	-	120,500	-	-	-	120,500
Total	8,790	104,654	-	22,568	3,772	3,678	12,562	130,900	177	6,813	12,739	137,713
Segment results	908	103,683	(13,114)	2,081	(7,960)	(4,192)	(20,166)	101,572	(15,984)	(76,687)	(36,150)	24,885
Other income							1,944	1,602	-	11	1,944	1,613
Finance costs							(2,367)	(3,167)	(2,778)	(3,001)	(5,145)	(6,168)
Profit/(loss) before tax							(20,589)	100,007	(18,762)	(79,677)	(39,351)	20,330
Tax							(223)	(34,090)	-	-	(223)	(34,090)
Loss on disposal of interests in subsidiaries							-	-	(106,187)	-	(106,187)	-
Profit/(loss) for the year							(20,812)	65,917	(124,949)	(79,677)	(145,761)	(13,760)

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

3. FINANCE COSTS

	2006 HK\$'000	2005 HK\$'000
Interest on bank loans	4,879	4,836
Interest on finance lease	90	151
Interest on convertible bond	176	1,181
	5,145	6,168
Attributable to continuing operations	2,367	3,167
Attributable to a discontinued operation	2,778	3,001
	5,145	6,168

4. PROFIT/(LOSS) BEFORE TAX

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

	2006 HK\$'000	2005 HK\$'000
Cost of services provided	24,682	21,292
Depreciation	14,156	14,453
Amortisation of intangible assets	5,656	7,356
Amortisation of prepaid rentals	1,025	1,000
Bank interest income	(1,909)	(1,613)
Gross and net rental income	(8,790)	(6,722)

5. TAX

	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Provision for the year :		
Hong Kong	–	–
Elsewhere	223	1,773
Deferred taxation	–	32,317
	<u>223</u>	<u>34,090</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.

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 tax rate of 33%.

6. DISCONTINUED OPERATION

During the year, on 6 November 2006, pursuant to a sale and purchase agreement entered into between the Group and an independent third party, the Group agreed to dispose of its entire equity interest in a subsidiary, Telesuccess International Limited and its wholly-owned subsidiary (the “Disposed Group”), which is engaged in the provision of telecommunication and other related services, and the net inter-company balances net payable to the Group for a consideration of HK\$50,000,000. The loss on disposal of the Disposed Group amounted to HK\$106,187,000. The transaction was completed on 29 December 2006. The results of the telecommunication and other related services for the year are presented below:

	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
REVENUE	177	6,813
Cost of sales	<u>(12,102)</u>	<u>(15,636)</u>
Gross loss	(11,925)	(8,823)
Other income	–	11
Administrative expenses	(4,737)	(7,120)
Other operating expenses, net	678	(60,744)
Finance costs	<u>(2,778)</u>	<u>(3,001)</u>
Loss before tax from a discontinued operation	(18,762)	(79,677)
Tax	<u>–</u>	<u>–</u>
Loss after tax from a discontinued operation	(18,762)	(79,677)
Loss on disposal from the Disposed Group	<u>(106,187)</u>	<u>–</u>
	<u>(124,949)</u>	<u>(79,677)</u>
Attributable to:		
Equity holders of the Company	(124,949)	(79,688)
Minority interest	<u>–</u>	<u>11</u>
	<u>(124,949)</u>	<u>(79,677)</u>

The net cash flows of a discontinued operation are as follows:

	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Operating activities	(141)	14,074
Investing activities	–	(308)
Financing activities	–	(19,629)
Net cash outflow	<u>(141)</u>	<u>(5,863)</u>
	2006	2005
Loss per share:		
Basic, from the discontinued operation	<u>HK22.31 cents</u>	HK17.91 cents
Diluted, from the discontinued operation	<u>N/A</u>	<u>N/A</u>

Diluted loss per share amounts from the discontinued operation for the years ended 31 December 2005 and 2006 have not been disclosed as the convertible bond and share options outstanding during these years had anti-dilutive effects on the basic loss per share for these years.

The calculations of basic losses per share from the discontinued operation are based on:

	2006	2005
Net loss attributable to equity holders of the Company from the discontinued operation	HK\$124,949,000	HK\$79,688,000
Weighted average number of ordinary shares in issue during the year used in the basic loss per share calculation	<u>560,120,752</u>	<u>444,847,328</u>

7. FINAL DIVIDEND

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2006 (2005: Nil).

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

The calculation of basic loss per share is based on the loss for the year attributable to ordinary equity holders of the Company of HK\$145,761,000 (2005: HK\$13,771,000), and the weighted average number of 560,120,752 (2005: 444,847,328) ordinary shares in issue during the year.

Diluted loss per share amounts for the years ended 31 December 2005 and 2006 have not been disclosed as the convertible bond and share options outstanding during these years had anti-dilutive effects on the basic loss per share for these years.

The calculation of basic loss (2005: earnings) for the year from continuing operations per share is based on the loss for the year attributable to ordinary equity holders of the Company of HK\$20,812,000 (2005: profit of HK\$65,917,000), and the weighted average number of 560,120,752 (2005: 444,847,328) ordinary shares in issue during the year.

The calculation of diluted earnings per share for the year ended 31 December 2005 from continuing operations is based on the net profit for the year from continuing operations of HK\$65,917,000, adjusted to reflect the interest on the convertible bond of HK\$983,000, and the weighted average number of ordinary shares used in the calculation is the 444,847,328 ordinary shares in issue during that year, as used in the basic earnings per share calculation and the weighted average of 20,000,000 ordinary shares assumed to have been issued at no consideration on the deemed conversion of the convertible bond into ordinary shares.

No diluted loss per share for the year ended 31 December 2006 from continuing operations has been disclosed as the convertible bond and share options outstanding during the year had anti-dilutive effects on the basis loss per share.

9. TRADE RECEIVABLES

An aged analysis of the trade receivables at the balance sheet date is as follows:

	2006		2005	
	<i>HK\$'000</i>	<i>Percentage</i>	<i>HK\$'000</i>	<i>Percentage</i>
Within 6 months	10,027	39	5,088	11
More than 6 months but within 1 year	–	–	5,986	13
More than 1 year but within 2 years	4,195	16	16,895	37
More than 2 years	11,732	45	13,938	30
Not due at 31 December	–	–	4,047	9
	<u>25,954</u>	<u>100</u>	<u>45,954</u>	<u>100</u>
Portion classified as current assets	<u>(25,954)</u>		<u>(45,954)</u>	
Non-current assets	<u>–</u>		<u>–</u>	

The Group generally grants a credit term of 3 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 sale contracts.

HK\$20,121,000 (2005: HK\$19,415,000) included in the total trade receivables are attributable to properties sold in prior years. The legal titles of the properties sold are retained by the Group until the contracted amounts and the related expenses of the property have been fully settled.

10. TRADE PAYABLES

An aged analysis of the trade payables as at the balance sheet date is as follows:

	2006		2005	
	<i>HK\$'000</i>	<i>Percentage</i>	<i>HK\$'000</i>	<i>Percentage</i>
Within 6 months	37	1	–	–
More than 6 months but within 1 year	3,581	28	–	–
More than 1 year but within 2 years	–	–	105	1
More than 2 years but within 3 years	84	1	–	–
Over 3 years	8,947	70	31,228	99
	<u>12,649</u>	<u>100</u>	<u>31,333</u>	<u>100</u>

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

11. POST BALANCE SHEET EVENTS

- (a) On 25 January 2007, the Group entered into an agreement with the purchaser of certain former subsidiaries to reschedule the repayment date of the remaining consideration of HK\$40,000,000 on or before 31 January 2008.
- (b) On 6 March 2007, 50,000,000 share options were granted to certain eligible participants pursuant to the terms and conditions of the rules of the share option scheme of the Company. These share options were vested on 6 March 2007 and have an exercise price of HK\$0.20 per share and an exercise period from 6 March 2007 to 5 March 2010. The price of the Company's shares at the date of grant was HK\$0.14 per share.

BUSINESS REVIEW

The Group recorded a turnover of HK\$12,739,000 (31 December 2005: HK\$17,213,000) for the year ended 31 December 2006, representing a decrease of 26% compared with 2005. Net loss for the year attributable to ordinary equity holders of the Company was HK\$145,761,000 (31 December 2005: HK\$13,771,000).

The Group's turnover in the year mainly comprised of the rental income generated from the commercial podium in Chongqing, the leasing of Point-of-sale ("POS") equipment in Guangzhou and the provision of telecommunication and other related services in Mainland China.

Property investment

The rental income generated from leasing of the commercial units in Gang Yu Square in Chongqing in Mainland China, was increased in the year compared with 2005. The occupancy rate of the square in the year remained satisfactory. It is expected that the business will continue to generate a steady stream of income to the Group.

Leasing of equipment

Since 2003, the Group had engaged in leasing of corded and cordless POS equipment in Guangzhou for a term of five years with an option to extend till 17 July 2011. The demand for POS equipment remained steady during the year. The Group will explore business opportunities for other value added services adhered to the leasing of the POS equipment.

Provision of telecommunication and other related services

Since 2004, the Group had engaged in the business of providing integrated telecommunication network services to online game developers and other broadband media providers via its operating subsidiary. Due to cut-throat competition in the dynamic online business market in Guangzhou, it was difficult for integrated telecommunication network service providers to secure a steady profit margin unless new and attractive online games and/or related broadband media products kept emerging from the market to drum up demand for such services. Since late 2005, the management of the Company has been focusing on developing new business models and, if practicable, to identify strategic investors to co-invest in new business developments.

On 6 November 2006, pursuant to a sales and purchase agreement entered into between the Group and an independent third party, the Group agreed to dispose its entire equity interest in Telesuccess International Limited and its wholly owned subsidiary, Sky City Network Communication Limited (collectively known as "Telesuccess Group"), and net inter-company balance payable to the Group for a consideration of HK\$50,000,000, which recognised a loss on disposal of HK\$106,187,000. The transaction was completed on 29 December 2006. Following the disposal of entire interest in Telesuccess Group, the Group ceased the operation of provision of telecommunication and other related services.

LIQUIDITY AND CAPITAL RESOURCES

The Group generally financed its businesses with internally generated cash flows, banking facilities, net proceeds from placing of new shares and exercise of share options during the year.

Cash and bank balances of the Group as at 31 December 2006 amounted to HK\$178,602,000 (2005: HK\$133,151,000) and pledged deposits of HK\$404,000 (2005: HK\$354,000).

As at 31 December 2006, the Group had outstanding borrowings of approximately HK\$25,543,000 comprising interest-bearing bank loans amounted to HK\$22,933,000 (2005: HK\$54,140,000), convertible bonds payable amounted to HK\$nil (2005: HK\$29,782,000) and finance lease payable amounted to HK\$2,610,000 (2005: HK\$515,000). Of the Group's interest-bearing bank loans, 22%, 24% and 54% respectively are repayable within one year or on demand, in the second year, in the third to fifth years, inclusive. No bank loan as at 31 December 2006 was charged at fixed interest rates. An amount of HK\$26,564,000 bank loans as at 31 December 2005 was charged at fixed rates.

The Group's gearing ratio as at 31 December 2006 was 0.2 (2005: 0.28), calculated based on the Group's total liabilities, excluding deferred income, of HK\$118,848,000 (2005: HK\$210,531,000) over total assets of HK\$589,795,000 (2005: HK\$754,633,000).

PROSPECTS

The Group is principally engaged in property investment and leasing of point-of-sale equipment in the Mainland China upon disposal of Telesuccess Group in December 2006. Given that the Group had extensive experience in property development and investment in the Mainland China since 1992, the Directors consider that they should capitalize their expertise and connections in this area for the Group's future business development. Hence, it is expected that the Group will consolidate its business sectors and formulate a new business direction in the coming year. In this respect, the Directors are optimistic that the continuing economic growth in the Mainland China will serve to facilitate the business growth of the Group.

CHANGE OF COMPANY SECRETARY

Mr. Goh Choo Hwee will resign from the post of company secretary of the Company with effect from 30 April 2007 and Mr. Lee Tao Wai ("Mr. Lee") will take up the post of company secretary of the Company with effect from 1 May 2007. Mr. Lee is presently the Qualified Accountant of the Company. He is a member of The Hong Kong Institute of Certified Public Accountants.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be temporarily closed from Thursday, 19 July 2007 to Friday, 20 July 2007, 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 Friday, 20 July 2007 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 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:00 p.m. on Wednesday, 18 July 2007.

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 Chairman and the Managing Director of the Company shall not be subject to retirement by rotation. However, the Chairman and the Managing Director of the Company had voluntarily retired by rotation every three years and offered themselves 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 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 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.

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 2006 containing all information required by Appendix 16 of the Listing Rules will be published on the web site of the Stock Exchange in due course.

By Order of the Board
Ho Kam Hung
Executive Director

Hong Kong, 26 April 2007

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

* *For identification purposes only*