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 2014

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 2014 (the "Interim Results"), together with the comparative figures for the corresponding period in 2013, as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	**For the six months ended 30 June** **2014** **(Unaudited)** ***HK$'000***	2013 (Unaudited) *HK$'000*
Revenue	2	**19,152**	19,000
Other income		**170**	144
Administrative expenses		**(11,950)**	(10,252)
Finance costs	3	**(5,000)**	(4,914)
PROFIT BEFORE TAX	4	**2,372**	3,978
Income tax expense	5	**(1,967)**	(2,380)
PROFIT FOR THE PERIOD		**405**	1,598
ATTRIBUTABLE TO:			
Ordinary equity holders of the Company		**(2,572)**	(1,303)
Non-controlling interests		**2,977**	2,901
		405	1,598
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	7		
– Basic		**HK(1.70) cents**	HK(0.86) cents
– Diluted		**HK(1.70) cents**	HK(0.86) cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the six months ended 30 June	
	2014	2013
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Profit for the period	**405**	1,598
Other comprehensive income/(expense)		
Other comprehensive income/(expense) to be reclassified to income statement in subsequent periods:		
Exchange differences on translation of foreign operations	**(64,111)**	20,366
TOTAL COMPREHENSIVE INCOME/(EXPENSE) FOR THE PERIOD	**(63,706)**	21,964
Total comprehensive income/(expense) attributable to:		
Ordinary equity holders of the Company	**(22,452)**	5,022
Non-controlling interests	**(41,254)**	16,942
	(63,706)	21,964

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**30 June 2014 (Unaudited) *HK$'000***	31 December 2013 (Audited) *HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**6,704**	7,132
Investment properties		**3,858,750**	3,951,360
Investments in joint ventures		**–**	–
Total non-current assets		**3,865,454**	3,958,492
CURRENT ASSETS			
Properties held for sales		**41,364**	42,357
Trade receivables	8	**8,182**	9,070
Prepayments, deposits and other receivables		**14,754**	15,234
Cash and bank balances		**47,120**	42,033
Total current assets		**111,420**	108,694
CURRENT LIABILITIES			
Trade payables	9	**(2,259)**	(3,850)
Tax payable		**(38,802)**	(37,734)
Other payables and accruals		**(46,899)**	(52,336)
Interest-bearing bank and other borrowings		**(8,513)**	(8,330)
Total current liabilities		**(96,473)**	(102,250)
NET CURRENT ASSETS		**14,947**	6,444
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,880,401**	3,964,936
NON-CURRENT LIABILITIES			
Loan from a director		**(79,975)**	(81,894)
Due to a director		**(164,892)**	(158,811)
Long term other payables		**(128,560)**	(129,052)
Interest-bearing bank and other borrowings		**(38,050)**	(43,153)
Deferred tax liabilities		**(808,171)**	(827,567)
Total non-current liabilities		**(1,219,648)**	(1,240,477)
Net assets		**2,660,753**	2,724,459
EQUITY			
Equity attributable to equity holders of the Company			
Issued capital		**15,140**	15,140
Reserves		**801,803**	824,255
		816,943	839,395
Non-controlling interests		**1,843,810**	1,885,064
Total equity		**2,660,753**	2,724,459

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 2013, 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 2014:

HKFRS 10, HKFRS 12 and HKAS 27 (2011) Amendments	Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) – *Investment Entities*
HKAS 32 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*
HKAS 39 Amendments	Amendments to HKAS 39 *Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting*
HK(IFRIC)-Int 21	*Levies*

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.

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 generating potential income from letting; 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 2013.

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**	
	2014	2013	**2014**	2013	**2014**	2013
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)	**(Unaudited)**	(Unaudited)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:						
Sales to external customers	**19,152**	19,000	**–**	–	**19,152**	19,000
Segment results	**12,752**	14,290	**(5,550)**	(5,542)	**7,202**	8,748
Other income					**170**	144
Finance costs					**(5,000)**	(4,914)
Profit before tax					**2,372**	3,978
Income tax expense					**(1,967)**	(2,380)
Profit for the period					**405**	1,598

Information about major customers

For the six months ended 30 June 2014 (the "Period"), aggregate revenue from four customers (2013: four) with each of whom transactions had exceeded 10% of the Group's total revenue amounted to approximately HK$19,152,000 (2013: HK$19,000,000).

3. FINANCE COSTS

	For the six months ended 30 June	
	2014	2013
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest on:		
Bank loans	**1,839**	1,773
Finance lease	**9**	14
Loan from a director	**3,152**	3,127
	5,000	4,914

4. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2014	2013
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Depreciation	**272**	271
Interest income	**(80)**	(35)
Net rental income	**(19,152)**	(19,000)

5. INCOME TAX EXPENSE

	For the six months ended 30 June	
	2014	2013
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Provision for the period:		
Elsewhere	**1,967**	2,380

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 (2013: 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% (2013: 25%).

6. INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the Period (2013: 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$2,572,000 (2013: HK$1,303,000) and the weighted average number of 151,404,130 (2013: 151,404,130) ordinary shares in issue during the Period.

During the six months ended 30 June 2014 and 2013, 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 2014 (Unaudited)		31 December 2013 (Audited)	
	HK$'000	*%*	*HK$'000*	*%*
Within 6 months	**8,182**	**100**	9,070	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 sale contracts. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

9. TRADE PAYABLES

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

	30 June 2014 (Unaudited)		31 December 2013 (Audited)	
	HK$'000	*%*	*HK$'000*	*%*
Within 1 year	**–**	**–**	1,198	31
More than 1 year	**2,259**	**100**	2,652	69
	2,259	**100**	3,850	100

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

REVIEW OF RESULTS

The Group's consolidated turnover for the Period was HK$19,152,000, which is almost the same level compared with the same period last year (30 June 2013: HK$19,000,000). The Group's profit for the Period was HK$405,000 (30 June 2013: HK$1,598,000), which was mainly attributable to the increase in administrative expenses from HK$10,252,000 to HK$11,950,000 during the Period. The Group's loss attributable to equity shareholders was HK$2,572,000 for the Period (30 June 2013: HK$1,303,000).

BUSINESS REVIEW

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

Guang Yu Square (港渝廣場), a 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 men's clothing and footwear wholesale centre in the region.

The property interest in Guangzhou (廣州市) is situated at the most prime commercial area in Yuexiu District (越秀區), Guangzhou. It is planned that the development site will be developed into a versatile grade A commercial building complex with wholesale and exhibition hall facilities and with an objective to be the landmark of the Yuexiu District. The development site is comprised of three contiguous land parcels located at the east of Jiefang Road South (解放南路), to the south of Daxin Road (大新路), to the north of Yede Road (一德路) and to the west of Xieen Road (謝恩里), Yuexiu District and is wholly owned by Guangzhou Zheng Da Real Estate Development Company Limited (廣州市正大房地產開發有限公司) ("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 state-owned enterprise as 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 2015 at an aggregate consideration of RMB1,361,100,000 (approximately HK$1,701,375,000). 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, 28 June 2012, 26 June 2013 and 23 June 2014 (primarily refers to the deferment of the long stop date for completion of the acquisition from 31 March 2009 to 30 June 2015).

The development project was initially planned to be completed within a period of 15 years but its progress was interrupted by the modifications of municipal planning in the region from time to time in the past years. Pursuant to the terms of the relevant joint venture agreement, the joint venture period of 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 in accordance with the provisions of the articles of Guangzhou Zheng Da but 越秀房地產開發經營公司 ("越房國企"), its sino partner, had become dormant a couple of years ago and therefore its consent could not be obtained. On the other hand, it appeared that another enterprise named 越秀房地產開發經營有限公司 ("越房私企"), a privately owned enterprise which acquired certain assets (but not included any interest in Guangzhou Zheng Da (if any)) from 越房國企 some years ago, claimed that it had taken up the interest in Guangzhou Zheng Da (if any) from 越房國企, but that was not the case. As such, In late December 2008, Guangzhou Zheng Da, served a writ against 越房私企 at the Yuexiu District People's Court (越秀區人民法院) demanding for confirmation of disqualification of 越房私企 from the sino partnership (if any) of the subject sino-foreign joint venture.

The relevant judgment was issued in July 2009 with rulings endorsing the forfeiture of the partnership qualification and legal entitlements of 越房私企 in the joint venture. 越房私企 then filed an appeal petition (the "Appeal") at the Guangzhou Municipal Middle People's Court (廣州市中級人民法院) (the "Guangzhou Court") in August 2009. A court hearing was made in October 2009 and no further hearings had been made since then. Both Guangzhou Zheng Da and Zheng Da have not yet received a valid judgement in writing issued by the Guangzhou Court in accordance with the relevant PRC laws and due judicial procedures. Further details about the developments of and events incidental to the Appeal were disclosed in the Company's announcement dated 25 March 2013. Both Guangzhou Zheng Da and Zheng Da are looking forward to receiving a formal and legally valid verdict, notice or directive in relation to the Appeal to be granted by the Guangzhou Court or its higher court in accordance with the relevant PRC laws and due judicial procedures. Taking into account the latest rulings granted by the Yuexiu District People's Court in July 2009, the facts and legal grounds substantiated at the first hearing of the Appeal, and the opinion given by the PRC legal counsels and advisors, the Group remains optimistic in obtaining a favourable judgement in the Appeal. Details of the developments of the Appeal were disclosed in the Company's announcement dated 23 June 2014 and Company's 2013 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 2014 amounted to HK$47,120,000 (31 December 2013: HK$42,033,000). As at 30 June 2014 and 31 December 2013, there were no pledged deposits.

As at 30 June 2014, the Group had outstanding borrowings of approximately HK$126,535,000 (31 December 2013: HK$133,377,000) comprising interest-bearing bank loans amounted to HK$46,304,000 (31 December 2013: HK$51,132,000), finance lease payable amounted to HK$259,000 (31 December 2013: HK$351,000), and loan from a director amounted to HK$79,975,000 (31 December 2013: HK$81,894,000). Of the Group's interest-bearing bank loans, 18%, 19%, 54% and 9% 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 2014, the secured bank loans of HK$46,304,000 (31 December 2013: HK$51,132,000) and the finance lease payables of HK$259,000 (31 December 2013: HK$351,000) of the Group bore interest at floating interest rate and fixed interest rate, respectively. The secured bank loan of HK$9,843,000 (31 December 2013: HK$11,162,000) and finance lease payables of the Group are denominated in Hong Kong dollars. HK$36,461,000 (31 December 2013: HK$39,970,000) of the secured bank loans are denominated in Renminbi.

The Group's gearing ratio as at 30 June 2014 was 0.03 (31 December 2013: 0.03), calculated based on the Group's interest-bearing bank and other borrowings and loan from a director of HK$126,538,000 (31 December 2013: HK$133,377,000) over total assets of HK$3,976,874,000 (31 December 2013: HK$4,067,186,000). 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$46,304,000 (31 December 2013: HK$51,132,000) as at 30 June 2014. The loans were charged by the Group's investment properties and corporate guarantee executed by the Company.

Contingent liabilities

As at 30 June 2014, guarantees given for mortgage loans granted by banks to certain purchasers of the Group's properties amounted to HK$139,000 (31 December 2013: HK$139,000).

EMPLOYEES AND REMUNERATION POLICY

The total staff cost for the Period was HK$2,230,000. The Group employed about 20 full time staff in Hong Kong, Chongqing and Guangzhou as at 30 June 2014. 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.

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 Chaotinanmen (朝天門) so that most old and poorly managed buildings surrounding the Guang Yu Square will be demolished and new infrastructure facilities will be constructed in coming years. To couple with this major urban re-development, the Group is refurbishing the Guang Yu Square to upgrade its facilities and exterior design and thereafter, it was believed that it will have a positive effect to the revenue from the property.

In respect of the investment project in Guangzhou (廣州市), it is planned that the development site will be developed into a versatile grade A commercial building complex with wholesale and exhibition hall facilities. Upon the completion of the project, it is anticipated that significant revenue can be generated for the Group and, more importantly, it can create more job opportunity and economic benefit to Guangzhou. That being said, the construction schedule of the development project has been deferred pending to the outcome of the lawsuit. As such, the development site is currently operating as a non-permanent commercial podium for footwear boutique showcase and wholesale centre so as to maximize the revenue for the Group before the completion of the project.

With the continuous quantitative easing policies from the United States in the past, the global economic environment is apparently showing a steady recovery. Despite the market expectation of the increase in interest rate in the coming years shortly, the Federal Reserve of the United States has reaffirmed that such increase in the federal fund rate would be moderate and in slow progress, and, hence, the property market will probably be able to maintain a stable growth in the foreseeable future under such low interest rate environment.

In addition, as a result of the internationalization of the renminbi, it was expected in the long term that the exchange rate of renminbi will appreciate gradually against other currencies. As such, it was anticipated that more foreign investment will be attracted to China and help to alleviate the extremely tight money flow in the market.

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

Given the strong asset backing and low gearing ratio for the Group's financial position, the Group may take on these advantages to explore new business opportunities in 2014 and 2015. The Directors will also strengthen its management expertise and redeploy the Group's resources for meeting these new challenges.

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

CODE ON CORPORATE GOVERNANCE PRACTICE

In the opinion of the Directors, the Company complied with the Code on Corporate Governance Practice (the "Code") as set out in Appendix 14 of the Listing Rules 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 2014

The Company's interim report for the six months ended 30 June 2014 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, 25 August 2014

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*