ZHONGDA INTERNATIONAL HOLDINGS LIMITED

（中大國際控股有限公司*）

(Incorporated in Bermuda with limited liability)
(Stock Code: 00909)

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2012

The board of directors (the "Board") of Zhongda International Holdings Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2012 together with the comparative figures for the previous year as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2012

	Note	**2012** **HK$'000**	2011 HK$'000
Continuing operation			
Revenue	*4*	**1,074**	2,105
Cost of sales		**(1,005)**	–
Gross profit		**69**	2,105
Other revenue and gain or loss	*6*	**841**	24
Administrative expenses		**(9,842)**	(18,600)
Impairment loss on prepayment for investments		**–**	(58,717)
Impairment loss on amount due from an associate		**–**	(795)
Impairment loss on amount due from a related company		**–**	(64,572)
Change in fair value of warrants		**11,811**	(20,110)
Change in fair value of an investment property		**5,926**	11,640
Finance costs	*7*	**(272)**	(424)
Profit (loss) before taxation		**8,533**	(149,449)
Income tax credit (expense)	*8*	**156**	(682)
Profit (loss) for the year from continuing operation	*9*	**8,689**	(150,131)

* *for identification purpose only*

CONSOLIDATED INCOME STATEMENT (Cont'd)

For the year ended 31 December 2012

	Note	**2012** **HK$'000**	2011 HK$'000
Discontinued operations			
Loss for the year from discontinued operations	10	–	(341,442)
Profit (loss) for the year		**8,689**	(491,573)
Profit (loss) for the year attributable to owners of the Company:			
– from continuing operation		**8,689**	(150,131)
– from discontinued operations		–	(341,111)
Profit (loss) for the year attributable to owners of the Company		**8,689**	(491,242)
Loss for the year attributable to non-controlling interests:			
– from discontinued operations		–	(331)
Loss for the year attributable to non-controlling interests		–	(331)
		8,689	(491,573)
Earnings (loss) per share	12		
From continuing operation and discontinued operations			
– Basic (HK cents per share)		**0.80**	(45.29)
– Diluted (HK cents per share)		**0.80**	(45.29)
From continuing operation			
– Basic (HK cents per share)		**0.80**	(13.84)
– Diluted (HK cents per share)		**0.80**	(13.84)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2012

	2012	2011
	HK$'000	*HK$'000*
Profit (loss) for the year	**8,689**	(491,573)
Other comprehensive income (expense)		
Exchange differences arising on translation	–	3,422
Released on deconsolidation of subsidiaries	–	(14,032)
	–	10,610
Total comprehensive income (expense) for the year	**8,689**	(502,183)
Total comprehensive income (expense) attributable to:		
Owners of the Company	**8,689**	(499,573)
Non-controlling interests	–	(2,610)
	8,689	(502,183)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2012

	2012 HK$'000	2011 HK$'000
Non-current assets		
Plant and equipment	**6**	9
Investment property	**–**	47,910
Interests in associates	**–**	–
Prepayment for investments	**–**	–
Available-for-sale investments	**–**	–
	6	47,919
Current assets		
Amount due from a related company	**–**	–
Amount due from an associate	**–**	–
Amounts due from former subsidiaries	**–**	–
Held for trading investments	**3,101**	2,870
Prepayments and other receivables	**26,252**	4,814
Derivative financial instruments	**167**	23
Bank balances and cash	**33,048**	7,833
	62,568	15,540
Current liabilities		
Other payables and accruals	**8,280**	6,665
Amounts due to directors	**10,526**	9,748
Tax payable	**13,689**	13,689
Bank borrowings	**12,630**	12,630
Derivative financial instruments	**8**	11,819
	45,133	54,551
Net current assets (liabilities)	**17,435**	(39,011)
Total assets less current liabilities	**17,441**	8,908
Capital and reserves		
Share capital	**108,726**	108,726
Reserves	**(91,285)**	(99,974)
Equity attributable to owners of the Company	**17,441**	8,752
Non-controlling interests	**–**	–
Total equity	**17,441**	8,752
Non-current liability		
Deferred tax liability	**–**	156
	17,441	8,908

Notes:

1. GENERAL

The Company is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The principal activities of the Company and its subsidiaries (collectively referred as the "Group") are principally engaged in the provision of international trading and information technology business.

The consolidated financial statements are presented in Hong Kong dollars ("HK$") which is the same as the functional currency of the Company.

2. BASIS OF PREPARATION

Notwithstanding that the Group holds 86.7% equity interests in Zhongda Automobile Machinery Manufacture Co., Ltd ("Zhongda Machinery") and its subsidiaries, 90% equity interests in Jiangsu Zhongda Industrial Painting and Environmental Protection Co., Ltd. ("Jiangsu Zhongda"), 100% equity interest in Yancheng Zhongda Automobile equipment Co., Ltd. ("Zhongda Automobile") and 100% equity interests in Yancheng Ausen Industrial Equipment Manufacture Co., Ltd. ("Ausen Industrial Equipment") (hereinafter together regarded as "PRC Subsidiaries") as at 31 December 2011 and 2012, the PRC Subsidiaries were no longer regarded as subsidiaries of the Group as the directors of the Company are of the opinion that the control of these companies had been lost as at 1 September 2011.

With reference to an announcement issued by the Company on 2 September 2011, Mr. Xu Lian Guo ("Mr. LG Xu") and Mr. Xu Lian Kuan ("Mr. LK Xu") as executive directors of the Company and the legal representatives of the PRC Subsidiaries were suspended (the "Suspended Directors") due to suspected misuse of fund. A special investigation committee (the "SIC") was formed to undertake investigation on the suspected misuse of fund. The SIC had sent written enquires to the Suspended Directors and their legal advisors in the PRC and Hong Kong for the suspected misuse of fund. No satisfactory reply from the Suspended Directors had been received. In the meantime, the Suspended Directors withheld the books and records of the PRC subsidiaries and were not cooperative since 1 September 2011. The current directors of the Company, despite of trying various means and methods, including (i) filing a formal complaint to the Economic Crime Investigation Division of Shenzhen Municipal Public Security Bureau against the Suspended Directors on 9 January 2012, and (ii) a counterclaim raised by the Company against the Suspended Directors, and an interim application by way of summons for an injunctive order. On 2 May 2013, the High Court of Hong Kong has granted an order in favour of the Company against the Suspended Directors. The current directors were unable to access its complete set of underlying books and records together with the supporting documents of the PRC Subsidiaries since 1 September 2011. According to the legal advice of the PRC lawyer, the current directors of the Company have effectively lost control in the PRC Subsidiaries.

The directors of the Company are of the opinion that the Group no longer had the power to govern the financial and operating policies of the PRC Subsidiaries, and accordingly the Group no longer controlled the PRC Subsidiaries notwithstanding that the Group holds a majority equity interest in the PRC Subsidiaries. It is no longer regarded as a subsidiary of the Group since all the assets of PRC Subsidiaries have been withheld by the Suspended Directors since 1 September 2011. The directors of the Company resolved to deconsolidate the PRC Subsidiaries as at that date.

The latest management accounts of the PRC subsidiaries were available up to 30 June 2011. Accordingly, the results of the PRC Subsidiaries had been consolidated in the consolidated financial statements of the Group up to 30 June 2011.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied the following new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Amendments to HKFRS 1	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
Amendments to HKFRS 7	Financial Instruments: Disclosures – Transfers of Financial Assets
Amendments to HKAS 12	Deferred Tax: Recovery of Underlying Assets

The directors of the Company consider that the application of the above amendments to HKFRSs has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

New and revised HKFRSs issued but not yet effective

The Group has not early applied the following new or revised HKFRSs that have been issued but are not yet effective.

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009-2011 Cycle, except for the amendments to HKAS 1[1]
Amendments to HKFRS 1	Government Loans[1]
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities[1]
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance[1]
HKFRS 9	Financial Instruments[4]
HKFRS 10	Consolidated Financial Statements[1]
HKFRS 11	Joint Arrangements[1]
HKFRS 12	Disclosure of Interests in Other Entities[1]
HKFRS 13	Fair Value Measurement[1]
Hong Kong Accounting Standard ("HKAS") 19 (as revised in 2011)	Employee Benefits[1]
HKAS 27 (as revised in 2011)	Separate Financial Statements[1]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010-2012 Cycle[3]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011-2013 Cycle[3]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[4]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011)	Investment Entities[2]
HKFRS 14	Regulatory Deferral Accounts[5]
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income[6]
Amendments to HKAS 19	Defined Benefit Plans – Employee Contributions[3]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[2]
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets[2]
Amendments to HKAS 39	Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting[2]
HK(International Financial Reporting Interpretation Committee) ("(IFRIC)")-Interpretation 20	Stripping Costs in the Production Phase of a Surface Mine[1]
HK(IFRIC) – Interpretation ("Int") 21	Levies[2]

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Cont'd)

New and revised HKFRSs issued but not yet effective (Cont'd)

[1] Effective for annual periods beginning on or after 1 January 2013.
[2] Effective for annual periods beginning on or after 1 January 2014, with earlier application permitted.
[3] Effective for annual periods beginning on or after 1 July 2014, with earlier application is permitted.
[4] HKFRS 9, as amended in December 2013, amended the mandatory effective date of HKFRS 9. The mandatory effective date is not specified in HKFRS 9 but will be determined when the outstanding phases are finalised. However, application of HKFRS 9 is permitted.
[5] Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.
[6] Effective for annual periods beginning on or after 1 July 2012.

4. REVENUE

Revenue represents the amounts received and receivable from services rendered during the year, net of discount and sales related taxes. An analysis of the Group's revenue for the year is as follows:

	2012	2011
	HK$'000	*HK$'000*
Continuing operation		
Revenue from project	**1,074**	–
Commission income	**–**	2,105
	1,074	2,105

5. SEGMENT INFORMATION

Information reported to the board of directors of the Company, being the chief operating decision makers ("CODM"), for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided.

As further details in note 10, the manufacture and sales of automobile equipment and buses, trading of automobile spare parts and property leasing were discontinued during the year ended 31 December 2011. Following the discontinued operations, the Group is principally engaged in the provision of agency service for international trading and during the year ended 31 December 2012 further develop the provision of information technology ("IT") services. Specifically, the Group's reportable and operating segments are as follows:

(i) Continuing operation

Agency service	–	agency services for international trading
IT business	–	provide IT solutions

(ii) Discontinued operations

Automobile equipment	–	manufacture and sales of automobile equipment
Automobile spare parts	–	trading of automobile spare parts
Property leasing	–	leasing of investment property

5. **SEGMENT INFORMATION (Cont'd)**

Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable segment.

For the year ended 31 December 2012

	Continuing operations		Discontinued operations			
	IT business *HK$'000*	Agency service *HK$'000*	Property leasing *HK$'000*	Automobile equipment *HK$'000*	Automobile spare parts *HK$'000*	Total *HK$'000*
Revenue	1,074	–	–	–	–	1,074
Segment profit (loss)	29	(43)	–	–	–	(14)
Unallocated corporate expenses						(9,759)
Unallocated other revenue						697
Change in fair value of warrants						11,811
Change in fair value of an investment property						5,926
Changes in fair value of derivative financial instruments						144
Finance costs						(272)
Profit before taxation						8,533

5. **SEGMENT INFORMATION (Cont'd)**

Segment revenue and results (Cont'd)

For the year ended 31 December 2011

	Continuing operation	Discontinued operations			
	Agency service *HK$'000*	Property leasing *HK$'000*	Automobile equipment *HK$'000*	Automobile spare parts *HK$'000*	Total *HK$'000*
External sales	2,105	4,810	157,637	89,681	254,233
Inter-segment sales	–	–	–	85,524	85,524
Segment revenue	2,105	4,810	157,637	175,205	339,757
Eliminations					(85,524)
Group revenue					254,233
Segment profit	1,859	4,810	2,993	6,714	16,376
Unallocated corporate expenses					(17,721)
Unallocated other revenue					1,717
Loss on deconsolidation of subsidiaries					(205,297)
Impairment loss on amount due from an associate					(795)
Impairment loss on amounts due from former subsidiaries					(127,435)
Impairment loss on amount due from a related company					(64,572)
Impairment loss on prepayment for investments					(58,717)
Change in fair value of warrants					(20,110)
Change in fair value of an investment property					11,640
Changes in fair value of derivative financial instruments					23
Share of results of associates					(5,454)
Finance costs					(18,122)
Loss before taxation					(488,467)

5. **SEGMENT INFORMATION (Cont'd)**

Segment revenue and results (Cont'd)

The accounting policies of the reportable segments are the same as the Group's accounting policies. Segment (loss) profit represents loss from or the profit earned by each segment without allocation of central administration costs, directors' salaries, share of results of associates, gain on disposal of held for trading investments, change in fair value of held for trading investments, impairment loss on prepayment for investments, impairment loss on amount due from an associate, impairment loss on amount due from a related company, impairment loss on amounts due from former subsidiaries, loss on deconsolidation of subsidiaries, change in fair value of warrants, change in fair value of derivative financial instruments, change in fair value of an investment property not held for leasing purpose, bank interest income and finance costs. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

Geographical information

The Group's revenue from external customers and information about its non-current assets (other than interests in associates, available-for-sale investments and prepayment for investments) by geographical location of the assets are detailed below:

	Revenue from external customers		Non-current assets	
	2012	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
The PRC (country of domicile)*	**1,074**	241,643	**–**	–
Europe	**–**	5,275	**–**	–
Asia other than the PRC	**–**	3,166	**6**	47,919
Others	**–**	4,149	**–**	–
	1,074	254,233	**6**	47,919

* The country of domicile in 2012 is Hong Kong, PRC

6. **OTHER REVENUE AND GAIN OR LOSS**

	2012	2011
	HK$'000	*HK$'000*
Continuing operation		
Change in fair value of held for trading investments	**180**	(1,133)
Commissions income	**57**	285
Gain on disposal of held for trading investments	**3**	511
Investment income from derivative financial instruments	**351**	176
Dividend income from held for trading investments	**106**	98
Change in fair value of derivative financial instruments	**144**	23
Others	**–**	64
	841	24

7. FINANCE COSTS

	2012	2011
	HK$'000	*HK$'000*
Continuing operation		
Interest on bank borrowings wholly repayable within five years	**272**	424

8. INCOME TAX (CREDIT) EXPENSE

	2012	2011
	HK$'000	*HK$'000*
Continuing operation		
Current tax:		
– PRC Enterprise Income Tax ("EIT")	**–**	526
Deferred taxation:		
– Current year	**(156)**	156
	(156)	682

No provision for Hong Kong Profits Tax has been made for the year 2012 since the assessable profit is wholly absorbed by tax losses brought forward. No provision for Hong Kong Profits Tax has been made for the year 2011 as the Group does not have any assessable profits subject to Hong Kong Profits Tax.

Under the Law of the EIT and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

The tax (credit) expense charge for the years can be reconciled to the profit (loss) before taxation per the consolidated income statement as follows:

	2012	2011
	HK$'000	*HK$'000*
Continuing operation		
Profit (loss) before taxation	**8,533**	(149,449)
Tax at the domestic income tax rate of 16.5% (2011: 25%)	**1,408**	(37,362)
Tax effect of income not taxable for tax purpose	**(2,991)**	(2,910)
Tax effect of expenses not deductible for tax purpose	**1,623**	24,574
Tax effect of tax loss not recognised	**–**	140
Tax effect of temporary deductible difference not recognised	**–**	16,320
Utilisation of tax losses previously not recognised	**(196)**	–
Effect of different tax rate of subsidiaries	**–**	(80)
Tax (credit) expense for the year	**(156)**	682

9. PROFIT (LOSS) FOR THE YEAR FROM CONTINUING OPERATION

Profit (loss) for the year from continuing operation has been arrived at after charging:

	2012	2011
	HK$'000	*HK$'000*
Staff costs (excluding directors' emoluments)		
– Salaries and wages	**1,613**	2,001
– Retirement benefits scheme contributions	**51**	69
Total staff costs	**1,664**	2,070
Auditor's remuneration	**1,000**	1,400
Impairment of other receivables	**–**	438
Net foreign exchange losses	**14**	18
Equity-settled share-based payment for administrative fee	**–**	2,750
Depreciation on plant and equipment	**3**	23

10. DISCONTINUED OPERATIONS

As the PRC Subsidiaries carried out all of manufacturing and sales of automobile equipment and buses, trading of automobile spare parts and property leasing of the Group, these business segments are presented as discontinued operations in accordance with HKFRS 5.

The loss for the period from discontinued operations is analysed as follows:

	1/1/2011- 31/8/2011 *HK$'000*
Loss from discontinued operations for the period	(8,710)
Loss on deconsolidation of subsidiaries	(205,297)
Impairment loss on amounts due from former subsidiaries	(127,435)
	(341,442)

10. DISCONTINUED OPERATIONS (Cont'd)

The results of the discontinued operations for the period from 1 January 2011 to 31 August 2011 included in the consolidated income statement are set out as follows.

	1/1/2011- 31/8/2011 *HK$'000*
Turnover	252,128
Cost of sales	(207,821)
Other revenue	5,224
Selling and distribution expenses	(12,733)
Administrative expenses	(19,807)
Other operating expenses	(125)
Share of results of associates	(5,454)
Finance costs	(17,698)
Loss before taxation	(6,286)
Income tax expense	(2,424)
Loss for the period	(8,710)

Loss for the period from discontinued operations includes the following:

	1/1/2011- 31/8/2011 *HK$'000*
Staff costs (excluding directors' emoluments)	
– Salaries and wages	13,332
– Retirement benefits scheme contributions	1,741
Total staff costs	15,073
Amortisation on prepaid lease payments	111
Cost of inventories recognised as an expense	207,821
Depreciation on property, plant and equipment	4,826
Minimum lease payments under operating lease charges	537
Interest income	(2,005)

10. DISCONTINUED OPERATIONS (Cont'd)

Net cash outflows on discontinued operations are as follows:

	1/1/2011- 31/8/2011 *HK$'000*
Operating activities	75,874
Investing activities	(53,179)
Financing activities	(62,431)
	(39,736)

The results and cash flows of the PRC subsidiaries for the period from 1 January 2012 to 31 August 2011 was based on the financial information up to 30 June 2011 (date of latest available financial information).

11. DIVIDENDS

No dividend was paid or proposed during the year ended 31 December 2012, nor has any dividend been proposed since the end of the reporting period (2011: nil).

12. EARNINGS (LOSS) PER SHARE

From continuing operation

The calculation of the basic and diluted earnings (loss) per share from continuing operation attributable to owners of the Company is based on the following data:

Earnings (loss)	**2012** ***HK$'000***	2011 *HK$'000*
Profit (loss) for the year attributable to owners of the Company	**8,689**	(491,242)
Less: Loss for the year from discontinued operations	**–**	(341,111)
Profit (loss) for the purpose of basic and diluted earnings (loss) per share from continuing operation	**8,689**	(150,131)

The calculation of the basic and diluted earnings (loss) per share attributable to owners of the Company is based on the earnings for the year attributable to owners of the Company of approximately HK$8,689,000 (2011: loss for the year HK$150,131,000) and the following data:

Number of shares	**2012** ***'000***	2011 *'000*
Weighted average number of ordinary shares for the purposes of basic and diluted earnings (loss) per share	**1,087,258**	1,084,574

12. **EARNINGS (LOSS) PER SHARE (Cont'd)**

From discontinued operations

For the year ended 31 December 2012, basic and diluted loss per share for the discontinued operations are nil per share (2011: HK31.45 cents per share), based on the loss for the year from the discontinued operations of nil (2011: approximately HK$341,111,000) and the denominator of 1,087,258,000 shares used is the same as detailed above in number of shares for both basic and diluted loss per share (2011: 1,084,574,000).

The computation of diluted earnings (loss) per share does not assume the exercise of certain of the Company's outstanding share options and warrants as the exercise prices of those options and warrants are higher than the average market price for shares during the year ended 31 December 2011 before the suspension of trading in shares on the Stock Exchange on 5 September 2011 and during the year ended 31 December 2012.

EXTRACT OF INDEPENDENT AUDITOR'S REPORT ON THE COMPANY'S CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

The Company's auditor has qualified the report on the Group's consolidated financial statements for the year ended 31 December 2012, an extract of which is as follows:

BASIS OF DISCLAIMER OF OPINION

During the course of our audit of the Group's consolidated financial statements for the year ended 31 December 2012, we encountered significant scope limitations in respect of various areas as set out below:

(1) Opening balances and corresponding figures

Our audit opinion on the consolidated financial statements of the Group for the year ended 31 December 2011 (the "2011 Financial Statements"), which form the basis for the corresponding figures presented in the current year's consolidated financial statements, was disclaimed because of the significance of the possible effect of the limitations on the scope of our audit, details of which are set out in our report dated 16 April 2014 and matters described in (2) to (5) below. Accordingly, we are unable to carry out audit procedure on the opening balance as to whether the 2011 Financial Statements gave a true and fair view of the state of affairs of the Group as at 31 December 2011 and 1 January 2012 and of the Group's loss and cash flows for the year ended 31 December 2011.

BASIS OF DISCLAIMER OF OPINION (Cont'd)

(2) Deconsolidation of certain subsidiaries and relevant disclosures during the year ended 31 December 2011

During the year ended 31 December 2011, as further explained in the consolidated financial statements, the existing directors of the Company were unable to obtain and access to the books and records of certain subsidiaries and associates held by these subsidiaries located in the People's Republic of China (the "PRC Subsidiaries") since 1 September 2011 and considered that the Group no longer had the power to govern the financial and operating polices of the PRC Subsidiaries and accordingly the control over the PRC Subsidiaries was lost on that date. The PRC Subsidiaries have therefore been deconsolidated from the consolidated financial statements of the Group and classified as available-for-sale investments from 1 September 2011 onwards. As a result, the Group recorded loss for the year from discontinued operations and cash flows relating to the PRC Subsidiaries based on their unaudited financial information for the period from 1 January 2011 to 30 June 2011, which were the latest management accounts available to the existing directors of the Company. Due to lack of the complete set of accounting books and records of the PRC Subsidiaries, we were unable to carry out audit procedures to obtain sufficient reliable audit evidence to satisfy ourselves as to the completeness of all transactions undertaken by the PRC Subsidiaries and, whether the loss for the year ended 31 December 2011 from discontinued operations, in relation to the PRC Subsidiaries of approximately HK$8,710,000 and the related disclosures to the consolidated financial statements are free from material misstatements.

Upon the deconsolidation mentioned above, available-for-sale investments and amounts due from the PRC Subsidiaries of approximately HK$205,297,000 and HK$127,435,000 were recognised respectively. Subsequently, during the year ended 31 December 2011, impairment loss for both available-for-sale investments and amounts due from the PRC Subsidiaries of approximately HK$205,297,000 and HK$127,435,000 were also recognised respectively.

As a result of the circumstances described above, we were unable to carry out audit procedures to obtain sufficient reliable audit evidence and there were no practical alternative audit procedures that we could perform to satisfy ourselves as to whether the accumulated losses of the Group as at 31 December 2012, 1 January 2012 and 31 December 2011 resulted from the abovementioned amounts are free from material misstatements and unable to satisfy ourselves as to the existence and completeness of commitments and contingent liabilities of the Group in relation to the PRC Subsidiaries as at 31 December 2012 and 2011. Accordingly, we were unable to provide a basis for an audit opinion on the financial performance and cash flows of the Group and the relevant disclosures to the consolidated financial statements.

BASIS OF DISCLAIMER OF OPINION (Cont'd)

(3) Amounts due to directors and directors' emoluments

We are unable to obtain direct audit confirmations in respect of amounts due to certain directors of approximately HK$7,807,000, amounts due to former directors of approximately HK$1,288,000 included in other payables and accruals and emoluments of respective directors and no sufficient evidence has been provided to satisfy ourselves as to the completeness, existence and accuracy of the aforesaid balances as at 31 December 2012 and 2011 and the amount of emoluments for the year ended 31 December 2011. There were no practical alternative audit procedures that we could perform to satisfy ourselves as to whether the aforesaid balances were free from material misstatements as at 31 December 2012 and 2011 and the accuracy of the amount of directors' emoluments for the year ended 31 December 2011.

(4) Amount due from a related company

As explained in the consolidated financial statements, included in amounts due from related companies as at 31 December 2012 and 2011 was an amount due from Yancheng Zhongda International Trading Limited of approximately HK$64,572,000. Impairment loss of approximately HK$64,572,000 was recognised during the year ended 31 December 2011.

We are unable to obtain direct audit confirmation in respect of the amount due from a related company and no sufficient evidence has been provided to satisfy ourselves as to the completeness, existence, accuracy and valuation of the aforesaid balance as at 31 December 2012 and 2011 and the impairment loss of approximately HK$64,572,000 recognised for the year ended 31 December 2011. There were no practical alternative audit procedures that we could perform to satisfy ourselves as to whether the aforesaid balance stated as at 31 December 2012 and 2011 was free from material misstatements.

(5) Impairment assessment on prepayment for investments

As stated in the consolidated financial statements, the Group had prepayment for investments of approximately HK$59,996,000, before net of accumulated impairment losses as at 31 December 2011. Impairment loss of approximately HK$58,717,000 was recognised during the year ended 31 December 2011. We are unable to obtain direct audit confirmations in respect of such prepayment for investments and have not been provided with sufficient evidence to satisfy ourselves as to the validity, completeness and recoverability of the aforesaid prepayment for investments and as to whether the impairment loss recognised in respect of the prepayment for investments determined by the directors of the Company against the carrying amount of the prepayment for investments was free from material misstatements. There were no practical alternative audit procedures that we could perform to satisfy ourselves as to whether the aforesaid balances stated as at 31 December 2012 and 2011 was free from material misstatements.

Any adjustments that are found necessary in relation to the matters described in (1) to (5) above might have a significant consequential effect on the Group's net assets as at 31 December 2012 and 2011 and results, equity and cash flows for the year ended 31 December 2012 and 2011 and the related disclosures thereof in the consolidated financial statements for the year ended 31 December 2012.

DISCLAIMER OF OPINION

Because of the significance of the matters described in the Basis of disclaimer of opinion paragraphs, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the consolidated financial statements. In all other material aspects, in our opinion, the consolidated financial statements have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

The Group is principally engaged in international trading business and information technology business during the year. The Group recorded a turnover of approximately HK$1.1 million, representing a decrease of approximately 49% from the turnover recorded on last year of approximately HK$2.1 million.

In Year 2011, the Suspended Directors failed to account for the where about of the Group's bank deposit of RMB150 million in the PRC despite repeated request for clarification from the board of directors, and who also failed to procure making available the financial statements of the PRC Subsidiaries (the "Event"). This caused disruption to the Hong Kong operations as the management had spent extensive efforts to follow up the Event. The court case between the Company and the Suspended Directors generate uncertainty for the existing customers to maintain the business relationship with the Company. As a result, the turnover during the period under review has decreased substantially.

The profit attributable to owners of the Group was approximately HK$9 million during the year, as compared to a loss of approximately HK$491 million on last year.

Prospect

With the Hong Kong High Court Judgement and Order issued in May 2013, the management of the Company would have a better position to negotiate with the customers and vendors on a longer term basis. The management will continuously spending its effort to expand and further develop the existing international trading business platform. The Group will continuously look for potential business partners and/or customers for trading of other products and commodities in the context of related diversification. The Group continues its trading activities for the best benefit of the Group.

For the information technology business which has been grouped previously under the Property Investment business segment, the Company will continue expanding its system integration and project management business.

Liquidity And Financial Resources

Liquidity

Liquidity as measured by current ratio (defined as "Current Assets/Current Liabilities") with a ratio of 1.4x during the year was considered as acceptable. Regarding the current assets, approximately 52.8% were cash and bank deposit. The level was considered as sufficient.

Leverage

Net gearing ratio of the Group (measured as Total bank debts – Cash available/Total Net Worth) was improved to nil in the year from 0.55x as at 31 December 2011. The Group will take effort to retain its leverage at a satisfactory level. As at 31 December 2012, bank balances and cash of the Group were approximately HK$33 million (31 December 2011: HK$8 million).

PURCHASE, SALE OR REDEMPTION OF SECURITIES

There was no purchase, sale or redemption by the Company, or any of its subsidiaries, of any listed securities of the Company during the year end 31 December 2012.

COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE PRACTICES

The Company's code on corporate governance practices was adopted by reference to the provisions of the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules").

Notwithstanding the prolonged suspension in trading of the shares of the Company on the Stock Exchange, the directors of the Company are well aware of the Code and have taken every endeavors to comply with the Code contained in Appendix 14 of the Listing Rules throughout the year ended 31 December 2012.

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by directors (the "Code of Conduct") on terms no less exacting than the required standard of the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules.

Having made specific enquiry with all directors, each of whom (save and except Suspended Directors) have confirmed compliance with the required standard set out in the Code of Conduct throughout the year ended 31 December 2012.

Whilst the 2 Suspended Directors did not directly confirm their compliance with Model Code on Securities Transaction, there being no records of their having transferred ownership of the Shares which seemed to be an indirect inference of their compliance with Model Code on Securities Transaction.

AUDIT COMMITTEE

The Company established an audit committee with terms of reference no less exacting than the required standard as set out in the code provisions of the Code. The primary duties of the audit committee are to review and supervise the financial reporting process and the internal control system of the Group.

The Audit Committee has in conjunction with the Board retained and liaised external international professional accounting firm to undertake a review of the internal control system relating to the financial reporting and treasury functions of the Company and its operating subsidiaries in Hong Kong.

The audit committee has reviewed the Group's annual results for the year ended 31 December 2012. The audit committee has three members comprising all the independent non-executive directors of the Company.

By order of the Board
Zhongda International Holdings Limited
Kwok Ming Fai
Executive Director

Hong Kong, 4 June 2014

As at the date of this announcement, the Board comprises Messrs. Xu Lian Guo (suspended), Kwok Ming Fai and Hon Chuk Kay as executive Directors; Mr. Leung Kwok Chun as non-executive Director; and Messrs. Sun Ka Ziang Henry, Chan Shiu Man and Wong Chi Chung as independent non-executive Directors.