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 2014

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 2014 together with the comparative figures for the previous year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2014

	Note	**2014**	2013
		HK$'000	*HK$'000*
Revenue	*4*	**37,137**	41,127
Cost of sales		**(35,893)**	(39,492)
Gross profit		**1,244**	1,635
Other revenue and gain or loss	*6*	**829**	174
Administrative expenses		**(10,157)**	(9,979)
Change in fair value of warrants		**–**	8
Finance costs	*7*	**(689)**	(153)
Loss before taxation		**(8,773)**	(8,315)
Income tax expenses	*8*	**–**	–
Loss for the year	*9*	**(8,773)**	(8,315)
Loss and total comprehensive expense for the year attributable to owners of the Company		**(8,773)**	(8,315)
Loss per share	*11*		
– Basic and diluted (HK cents per share)		**(0.81)**	(0.76)

* *for identification purpose only*

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2014

	Note	2014 HK$'000	2013 HK$'000
Non-current assets			
Plant and equipment		**253**	4
Interests in associates		–	–
Prepayment for investments		–	–
Available-for-sale investments		–	–
		253	4
Current assets			
Trade receivables	*12*	**22,007**	16,121
Amount due from a related company		–	–
Amount due from an associate		–	–
Amounts due from former subsidiaries		–	–
Held for trading investments		**298**	3,820
Prepayments and other receivables		**7,323**	10,490
Bank balances and cash		**2,667**	9,615
		32,295	40,046
Current liabilities			
Other payables and accruals		**10,688**	10,944
Amounts due to directors		**3,819**	6,291
Tax payable		**13,689**	13,689
Other borrowings		**3,999**	–
		32,195	30,924
Net current assets		**100**	9,122
Total assets less current liabilities		**353**	9,126
Capital and reserves			
Share capital		**108,726**	108,726
Reserves		**(108,373)**	(99,600)
Total equity		**353**	9,126

Notes:

1. GENERAL

The Company was 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 Company and its subsidiaries (collectively referred as the “Group”) are principally engaged in 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 OF CONSOLIDATED FINANCIAL STATEMENTS

SUBSIDIARIES DECONSOLIDATED

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 2014 and 2013, 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 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 PRC Subsidiaries had been consolidated in the consolidated financial statements of the Group up to 30 June 2011.

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

UNAUTHORISED DISPOSAL OF AN ASSOCIATE

Yancheng Zhongwei Bus Manufacturing Co., Ltd ("Zhongwei Bus"), an associate held by the PRC Subsidiaries was disposed of without proper authorisation ("Unauthorised Disposal") on 15 July 2011 to a related party with common substantial shareholders of the Company at the time of the Unauthorised Disposal. No complete set of accounting books and records of the PRC Subsidiaries and Associates was available to the management of the Company. Accordingly, no gain or loss of the Unauthorised Disposal had been recognised.

GOING CONCERN

In preparing the consolidated financial statements, the directors of the Company have given careful consideration to the future liquidity of the Group.

The Group incurred a net loss of approximately HK$8,773,000 for the year ended 31 December 2014 and accumulated losses of approximately HK$396,451,000 as at 31 December 2014. Nevertheless, the directors of Company are of the opinion that the Group will have sufficient working capital to meet its financial obligations as and when they fall due for the next twelve months from 31 December 2014 as the directors had taken into consideration of the following fact and circumstance:

i) The Group shall implement cost-saving measures to maintain adequate cash flows for the Group's operations; and

ii) The Group will actively seek out other sources of financing to provide working capital for the Group.

Accordingly, the directors of the Company are of the opinion that it is appropriate to prepare the consolidated financial statements on a going concern basis. If adequate finance is not available, the Group may be unable to meet its obligations as and when they fall due in the foreseeable future. Should the Group be unable to continue to operate as a going concern, adjustments would have to be made to write down the value of assets to their recoverable amounts, to provide for further liabilities which might arise. The effect of these adjustments has not been reflected in the consolidated financial statements.

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, Hong Kong Accounting Standards ("HKASs") and amendments and interpretations ("Ints") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting
HK (International Financial Reporting Interpretation Committee) ("HK(IFRIC*)") – Int 21	Levies

* IFRIC represents the International Financial Reporting Interpretations Committee.

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

New and revised HKFRSs issued but not yet effective

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

HKFRS 9 (2014)	Financial Instruments[4]
HKFRS 14	Regulatory Deferral Accounts[2]
HKFRS 15	Revenue from Contracts with Customers[3]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010-2012 Cycle[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011-2013 Cycle[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle[2]
Amendment to HKAS 1	Disclosure Initiative[2]
Amendments to HKAS 19	Defined Benefit Plans – Employee Contributions[1]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptance Methods of Depreciation and Amortisation[2]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants[2]
Amendments to HKAS 27	Equity Method in Separate Financial Statements[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and Its Associate or Joint Venture[2]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception[2]
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations[2]

1 Effective for annual periods beginning on or after 1 July 2014.
2 Effective for annual periods beginning on or after 1 January 2016.
3 Effective for annual periods beginning on or after 1 January 2017.
4 Effective for annual periods beginning on or after 1 January 2018.

4. REVENUE

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

	2014	2013
	HK$'000	*HK$'000*
Revenue from project	**2,885**	153
Trading of goods	**34,252**	40,974
	37,137	41,127

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. No operating segments identified by the chief operating decision maker have been aggregated in arriving at the reportable segments of the Group.

The Group is principally engaged in the provision of agency service for trading, provision of information technology ("IT") solutions and international trading. Specifically, the Group's reportable and operating segments are as follows:

Agency service	–	agency service for trading
IT solutions	–	provide IT solutions for business and industrial applications
International trading	–	trading of machine, fibers, IT products, etc.

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 2014

	Agency service *HK$'000*	**IT solutions** *HK$'000*	**International trading** *HK$'000*	**Total** *HK$'000*
Revenue	**–**	**2,885**	**34,252**	**37,137**
Segment (loss) profit	**(7)**	**98**	**4**	**95**
Unallocated corporate expenses				**(9,008)**
Unallocated other revenue				**829**
Finance costs				**(689)**
Loss before taxation				**(8,773)**

5. SEGMENT INFORMATION (Continued)

For the year ended 31 December 2013

	Agency service *HK$'000*	IT solutions *HK$'000*	International trading *HK$'000*	Total *HK$'000*
Revenue	–	153	40,974	41,127
Segment (loss) profit	(6)	115	1,193	1,302
Unallocated corporate expenses				(9,646)
Unallocated other revenue				165
Investment income from derivative financial instruments				176
Change in fair value of warrants				8
Changes in fair value of derivative financial instruments				(167)
Finance costs				(153)
Loss before taxation				(8,315)

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, gain/loss on disposal of held for trading investments, change in fair value of held for trading investments, dividend income from held for trading investments, change in fair value of warrants, change in fair value of derivative financial instruments, 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 mainly included plant and equipment by geographical location of the assets are detailed below:

	Revenue from external customers		**Non-current assets**	
	2014 ***HK$'000***	2013 *HK$'000*	**2014** ***HK$'000***	2013 *HK$'000*
The PRC including Hong Kong	**37,081**	3,090	**253**	4
USA	**–**	31,509	**–**	–
Canada	**56**	6,528	**–**	–
	37,137	41,127	**253**	4

6. OTHER REVENUE AND GAIN OR LOSS

	2014	2013
	HK$'000	*HK$'000*
Change in fair value of held for trading investments	**(45)**	61
Commissions income	**–**	10
Gain (loss) on disposal of held for trading investments	**818**	(83)
Investment income from derivative financial instruments	**–**	176
Dividend income from held for trading investments	**56**	161
Change in fair value of derivative financial instruments	**–**	(167)
Interest income	**–**	9
Sundry income	**–**	7
	829	174

7. FINANCE COSTS

	2014	2013
	HK$'000	*HK$'000*
Interest on:		
Bank borrowings wholly repayable within five years	**–**	4
Other borrowings wholly repayable within five years	**689**	149
	689	153

8. INCOME TAX EXPENSES

Certain Hong Kong subsidiaries were either in loss-making position for the years ended 31 December 2014 and 2013 or had sufficient tax losses brought forward from previous years to offset the estimated assessable income for the years ended 31 December 2014 and 2013 and accordingly did not have any provision for Hong Kong Profits Tax for the years ended 31 December 2014 and 2013.

Pursuant to the laws and regulations of Bermuda, the Cayman Islands and the British Virgin Islands (the "BVI"), the Group is not subject to any income tax in Bermuda, the Cayman Islands and the BVI for the years ended 31 December 2014 and 2013.

8. INCOME TAX EXPENSES (Continued)

The tax expenses for the year can be reconciled to the loss before taxation per the consolidated statement of profit or loss and other comprehensive income as follows:

	2014	2013
	HK$'000	*HK$'000*
Loss before taxation	**(8,773)**	(8,315)
Tax at the domestic income tax rate of 16.5% (2013: 16.5%)	**(1,448)**	(1,372)
Tax effect of income not taxable for tax purpose	**(144)**	(38)
Tax effect of expenses not deductible for tax purpose	**1,495**	1,135
Tax effect of tax loss not recognised	**113**	275
Utilisation of tax losses previously not recognised	**(16)**	–
Tax expenses for the year	**–**	–

9. LOSS FOR THE YEAR

Loss for the year has been arrived at after charging:

	2014	2013
	HK$'000	*HK$'000*
Staff costs (excluding directors' emoluments)		
– Salaries and wages	**1,451**	1,536
– Retirement benefits scheme contributions	**47**	46
Total staff costs	**1,498**	1,582
Auditor's remuneration	**400**	450
Net foreign exchange losses	**18**	92
Operating lease rental on land and buildings	**457**	1,397
Depreciation on plant and equipment	**173**	2

10. DIVIDENDS

No dividend was paid or proposed during the year ended 31 December 2014, nor has any dividend been proposed since the end of the reporting period (2013: nil).

11. LOSS PER SHARE

The calculation of the basic and diluted loss per share attributable to owners of the Company is based on the following data:

Loss	**2014** *HK$'000*	2013 *HK$'000*
Loss for the year attributable to owners of the Company	**8,773**	8,315

The calculations of the basic and diluted loss per share attributable to the owners of the Company is based on the following data:

Number of shares	**2014** *'000*	2013 *'000*
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	**1,087,258**	1,087,258

The computation of diluted 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 during the years ended 31 December 2014 and 2013.

12. TRADE RECEIVABLES

	2014 *HK$'000*	2013 *HK$'000*
Trade receivables	**22,007**	16,121

The Group did not hold any collateral over these balances.

The Group's average credit periods granted to customers were 30 to 90 days.

The following is an aged analysis of the trade receivables presented based on the invoice date, which approximates the respective revenue recognition dates, at the end of the reporting period.

	2014 *HK$'000*	2013 *HK$'000*
Within 30 days	**–**	428
More than 30 days but within 90 days	**4,452**	–
More than 90 days but within 180 days	**687**	15,693
More than 180 days but within 365 days	**1,175**	–
Over 365 days	**15,693**	–
	22,007	16,121

EXTRACT OF INDEPENDENT AUDITOR'S REPORT ON THE COMPANY'S CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

The Company's auditor has qualified the report on the Group's consolidated financial statements for the year ended 31 December 2014, 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 2014, 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 2013 (the "2013 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 12 September 2014 and matters described in (2) to (7) below. Accordingly, we are unable to carry out audit procedure on the opening balance as to whether the 2013 Financial Statements gave a true and fair view of the state of affairs of the Group as at 31 December 2013 and 1 January 2014 and of the Group's loss and cash flows for the year ended 31 December 2014.

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

As detailed in our previously issued audit reports, 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.

The accumulated losses of the Group as at 31 December 2014 and 2013, which included the losses (i) on deconsolidation of the PRC Subsidiaries and (ii) incurred by the PRC Subsidiaries for the period from 1 January 2011 to 1 September 2011 (date of deconsolidation).

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 and impairment loss for the amounts were also recognised subsequently.

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 2014, 1 January 2014 and 31 December 2013 resulted from the above mentioned 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 2014 and 2013. 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.

(3) Amounts due to directors

During the year ended 31 December 2013, one of the suspended directors, Mr. Xu Lian Kuan ("Mr. LK Xu") resigned, the amount due to Mr. LK Xu of approximately HK$5,265,000 was transferred to and included in other payables and accruals as at 31 December 2014 and 2013. We were unable to obtain direct audit confirmations in respect of amounts due to directors of approximately HK$2,542,000 as at 31 December 2014 and 2013, amounts due to former directors of approximately HK$5,265,000 as at 31 December 2014 and 2013 included amount due to Mr. LK Xu recorded in other payables and accruals of respective directors and no sufficient evidence has been provided to satisfy ourselves as to the completeness, existence and accuracy of the aforesaid balances. 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 2014 and 2013.

(4) Amount due from a related company

As explained in the notes to the consolidated financial statements, impairment loss of approximately HK$64,572,000 was recognised on an amount due from Yancheng Zhongda International Trading Co., Limited during the year ended 31 December 2011. We were 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 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 2014 and 2013 was free from material misstatements.

(5) Impairment assessment on prepayment for investments

As stated in the consolidated financial statements, impairment loss of approximately HK$58,717,000 was recognised on the prepayment for investments of approximately HK59,996,000 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 2014 and 2013 were free from material misstatements.

(6) Trade receivables

As at 31 December 2014 and 2013, included in the trade receivables of carrying amount of approximately HK$16,868,000 and HK$15,693,000 respectively resulted from the international trading business. The trade receivables had been past due but no impairment is recognised by the directors of the Company as at 31 December 2014 and 2013. We were also unable to obtain sufficient reliable evidence to ascertain the recoverability of the aforesaid balance. In addition, we were unable to obtain direct audit confirmation and have not been provided with sufficient evidence to satisfy ourselves as to the validity and completeness of HK$15,693,000 included in the aforesaid balance as at 31 December 2014 and 2013. Accordingly, we were unable to satisfy ourselves as to whether the carrying amount of approximately HK$16,868,000 and HK$15,693,000 included in trade receivables were free from material misstatement as at 31 December 2014 and 2013 respectively.

(7) Prepayments

As at 31 December 2014 and 2013, included in prepayments and other receivables was a prepayment made to a supplier of approximately HK$6,590,000 for purchase of goods. There is no goods being received from the supplier in relation to this prepayment subsequent to the end of the reporting period and no impairment is recognised by the directors of the Company as at 31 December 2014 and 2013. We were unable to obtain sufficient reliable evidence to ascertain the recoverability of the above balance. Accordingly, we were unable to satisfy ourselves as to whether the carrying amount of approximately HK$6,590,000 included in prepayments and other receivables was free from material misstatement as at 31 December 2014 and 2013.

(8) Going Concern

The Group incurred a loss for the year of approximately HK$8,773,000 for the year ended 31 December 2014 and accumulated losses of approximately HK$396,451,000 as at 31 December 2014.

As explained in the basis of preparation set out in the notes to the consolidated financial statements, the consolidated financial statements have been prepared by the directors of the Company on a going concern basis, the validity of which depends upon the successful implementation and outcome of the measures to be undertaken by the Group as described in the notes to the consolidated financial statements. In view of the extent of the material uncertainties relating to the successful implementation and outcome of the measures to be undertaken by the Group which might cast a significant doubt on the Group's ability to continue as a going concern, we have disclaimed our audit opinion on the consolidated financial statements.

Should the Group be not able to continue its business as a going concern, adjustments would be necessary to write down the value of assets to their recoverable amounts and to provide for further liabilities which may arise. The consolidated financial statements have not incorporated any of these adjustments.

Any adjustments that are found necessary in relation to the matters described in (1) to (8) above might have a significant consequential effect on the Group's state of affairs as at 31 December 2014 and 2013 and results, equity and cash flows for the years ended 31 December 2014 and 2013 and the related disclosures thereof in the consolidated financial statements for the year ended 31 December 2014.

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$37.1 million, representing a decrease of approximately 10% from the turnover recorded on last year of approximately HK$41.1 million. The decrease was attributable to the tightening of client selection policy.

During the Year 2011, Mr. Xu Lian Guo (the "Suspended Director") and Mr. Xu Lian Kuan (the "Former Director"), together the subject directors (the "Subject Directors"), failed to account for the where about of the Group's bank deposit of RMB150 million (the "Fund") in the PRC despite repeated requests for clarification from the Board, and who also failed to procure making available the Company's PRC subsidiaries' (the "PRC Subsidiaries") financial statements (the "Event").

With the Hong Kong High Court Judgement and Order (the "Court Order") issued in May 2013, the Subject Directors were required to make available the financial statements (as well as the company records, chops and seals) of the PRC Subsidiaries. Yet, they failed to comply with the Court Order up till today. On this premises, the PRC Subsidiaries' results have to be de-consolidated from the Company's account with a view to give a proper account of the financial presentation of the Group.

The Event did cause disruption to the Hong Kong operations as the management had spent extensive efforts in conjunction with legal advisors in Hong Kong, the PRC, Bermuda and professional account firms to follow up with the Subject Directors for among others, the where about of the Fund and financial information accessibility, for the protection of the Company's assets and securing the best interest of the Company. This adverse has been rolling from Year 2012 till now even though there came the Court Order.

With the failure of the Subject Directors to comply with the Court Order, it is with more certainty that the Company has to deconsolidate the results of the PRC Subsidiaries. With the results of the Group to be released in due course, the management would have a better position to negotiate with customers and vendors on a longer term basis. As a result, the operations of the Group start to regain its momentum.

In addition, the Company applied to the Hong Kong High Court for a summary judgement on demanding the repayment of the Fund from the Subject Directors during the year. The Hong Kong High Court handed down a judgement in December 2014 in favour of the Company. The Company has obtained the relevant sealed orders and in the course of seeking enforcement of the judgement against the Subject Directors.

There being no corporate guarantee or surety of a similar nature extended by the Company or any of the Hong Kong operations towards the financing or business activities of the PRC Subsidiaries, the Company is well posed to move forward on its own to arrange finance facilities in Hong Kong to support its business development of Hong Kong operations.

Prospect

The Hong Kong operations of the Group have been engaged in trading and sourcing activities. The products so traded through Hong Kong operations have been sourced by the Company's subsidiaries or associates and from third party suppliers outside Hong Kong. The products sourced by Hong Kong operations have been resold to the domestic PRC markets or through third party vendors to markets outside Hong Kong. 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.

Besides, the Company is negotiating for a contract to supply automobile cleaning equipment in the PRC. The Board has spent some time in discussing the terms and is in the course of finalizing the contract. The Company is also at a preliminary stage of negotiation with a Hong Kong based company to jointly develop advanced automobile cleaning equipment which could improve the efficiency of operation, and to jointly carry out the promotion and marketing of newly developed automobile cleaning supplies.

For the information technology business which has been grouped previously under the Property Investment business segment, the Company will continue developing and expanding its existing system integration and project management business. The Company has already provided project management and support service to a South America company for their telecom value-added service in the PRC. The Company is negotiating with another PRC based company to provide technical and marketing support to their telecom value-added service in Shangdong as well as Guangdong province, the PRC. It is expected that the provision of such services will be commenced in the second quarter of Year 2015.

Financial Review and Liquidity

Gross Margin

The Group recorded a gross profit of approximately HK$1.2 million. The decrease was in line with the decrease in turnover due to the tightening of client selection policy. The gross profit margin for the year was approximately 3.3% as compared with 4.0% last year.

Net Loss

The Group has recorded a net loss of approximately HK$8.8 million for the year as compared with a loss of HK$8.3 million last year. The savings in administrative cost was crowded out by the legal and professional fees for litigation as well as the increase in working capital cost. Therefore, the administrative expenses slightly increased by approximately 1.8%. Basic loss per share for the year was approximately HK$0.81 cents.

Liquidity

As at 31 December 2014, bank balances and cash of the Group were approximately HK$2.7 million (31 December 2013: HK$9.6 million).

Liquidity as measured by current ratio (defined as "Current Assets/Current Liabilities") with a ratio of 1.0x during the year was considered as acceptable. Regarding the current assets, approximately 8% were cash and bank deposit. The level was considered as sufficient but deteriorated during the year. In order to retain its liquidity at a sufficient level, the management is undergoing to raise a cheaper short/mid term working capital funding.

Leverage

Net gearing ratio of the Group (measured as Total debts – Cash available/Total Net Worth) was 3.77 in the year (31 December 2013: Nil). The increase in net gearing was due to additional working capital loan. The Group will take effort to improve its leverage at a satisfactory level.

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 2014.

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 2014.

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 Director) have confirmed compliance with the required standard set out in the Code of Conduct throughout the year ended 31 December 2014.

Whilst the Suspended Director and Former Director 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 external international professional accounting firm to undertake a review of the internal control system 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 2014. 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, 31 March 2015

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.