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 2015

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 2015 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 2015

	Note	2015 HK$'000	2014 HK$'000
Revenue	4	**56,062**	37,137
Cost of sales		**(53,867)**	(35,893)
Gross profit		**2,195**	1,244
Other revenue and gain or loss	6	**(43)**	829
Administrative expenses		**(9,384)**	(10,157)
Finance costs	7	**(1,921)**	(689)
Loss before taxation		**(9,153)**	(8,773)
Income tax expenses	8	**–**	–
Loss for the year	9	**(9,153)**	(8,773)
Loss and total comprehensive expense attributable to:			
Owners of the Company		**(9,150)**	(8,773)
Non-controlling interests		**(3)**	–
		(9,153)	(8,773)
Loss per share	11		
– Basic and diluted (HK cents per share)		**(0.84)**	(0.81)

* *for identification purpose only*

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2015

	Note	2015 HK$'000	2014 HK$'000
Non-current assets			
Plant and equipment		**41**	253
Interests in associates		–	–
Prepayments for investments		–	–
Available-for-sale investments		–	–
		41	253
Current assets			
Trade receivables	*12*	**33,978**	22,007
Amount due from a related company		–	–
Amount due from an associate		–	–
Amounts due from former subsidiaries		–	–
Held for trading investments		**1,376**	298
Prepayments and other receivables		**9,048**	7,323
Bank balances and cash		**4,836**	2,667
		49,238	32,295
Current liabilities			
Other payables and accruals		**10,411**	10,688
Amounts due to directors		**3,979**	3,819
Tax payable		**13,689**	13,689
Other borrowings		–	3,999
		28,079	32,195
Net current assets		**21,159**	100
Total assets less current liabilities		**21,200**	353
Capital and reserves			
Share capital		**108,726**	108,726
Reserves		**(117,523)**	(108,373)
Equity attributable to owners of the Company		**(8,797)**	353
Non-controlling interests		**(3)**	–
Total equity		**(8,800)**	353
Non-current liability			
Other borrowings		**30,000**	–
		21,200	353

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 trading business and information technology ("IT") 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 referred to as "PRC Subsidiaries") as at 31 December 2015 and 2014, 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, the duties of Mr. Xu Lian Guo ("Mr. LG Xu") and Mr. Xu Lian Kuan ("Mr. LK Xu") as executive directors of the Company at the relevant time were suspended (the "Suspended Directors") due to suspected misuse of fund of the Group. Mr. LG Xu and Mr. LK Xu were also legal representatives of the PRC Subsidiaries. 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) raising claim against the Suspended Directors at the High Court of Hong Kong and apply for an interim application by way of summons for an injunctive order to comply their cooperation in provision of the books and records of the PRC Subsidiaries. On 2 May 2013, the High Court of Hong Kong has granted an order in favour of the Company against the Suspended Directors. However, the Suspended Directors have not complied with the order and 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 subsidiaries 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$9,153,000 for the year ended 31 December 2015 and accumulated losses of approximately HK$404,177,000 as at 31 December 2015. 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 2015 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 and to reclassify non-current assets and non-current liability as current asssets and current liabilities. 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") AND NEW HONG KONG COMPANIES ORDINANCE

In the current year, the Group has applied the following new and revised HKFRSs, which include HKFRSs, Hong Kong Accounting Standards ("HKASs") and amendments and interpretations ("Ints") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Amendments to HKFRSs	Annual Improvements to HKFRSs 2010 – 2012 Cycle
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011 – 2013 Cycle
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions

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[2]
HKFRS 15	Revenue from Contracts with Customers[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle[1]
Amendment to HKAS 1	Disclosure Initiative[1]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptance Methods of Depreciation and Amortisation[1]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants[1]
Amendments to HKAS 27	Equity Method in Separate Financial Statements[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and Its Associate or Joint Venture[3]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception[1]
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations[1]

1 Effective for annual periods beginning on or after 1 January 2016.
2 Effective for annual periods beginning on or after 1 January 2018.
3 Effective date not yet been determined.

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:

	2015	2014
	HK\$'000	*HK\$'000*
Revenue from project	**–**	2,885
Trading and distribution of goods	**56,062**	34,252
	56,062	37,137

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 trading business and IT business. Specifically, the Group's reportable and operating segments are as follows:

Trading business	–	trading of machinery, commodities, wine, IT products etc.
IT business	–	provide IT solutions and support services and distribution of related products
Agency service	–	agency service for trading

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 2015

	Trading business *HK$'000*	**IT business** *HK$'000*	**Agency service** *HK$'000*	**Total** *HK$'000*
Revenue	**54,091**	**1,971**	**–**	**56,062**
Segment loss	**(190)**	**(196)**	**–**	**(386)**
Unallocated corporate expenses				**(6,803)**
Unallocated other loss				**(43)**
Finance costs				**(1,921)**
Loss before taxation				**(9,153)**

For the year ended 31 December 2014

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

5. **SEGMENT INFORMATION (Continued)**

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**	
	2015	2014	**2015**	2014
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
The PRC including Hong Kong	**50,865**	37,081	**41**	253
Macau	**5,197**	–	**–**	–
Canada	**–**	56	**–**	–
	56,062	37,137	**41**	253

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

	2015	2014
	HK$'000	*HK$'000*
Change in fair value of held for trading investments	**(328)**	(45)
Gain on disposal of held for trading investments	**261**	818
Dividend income from held for trading investments	**24**	56
	(43)	829

7. **FINANCE COSTS**

	2015	2014
	HK$'000	*HK$'000*
Interests on:		
Other borrowings wholly repayable within five years	**1,921**	689

8. INCOME TAX EXPENSES

Certain Hong Kong subsidiaries were either in loss-making position for the years ended 31 December 2015 and 2014 or had sufficient tax losses brought forward from previous years to offset the estimated assessable income for the years ended 31 December 2015 and 2014 and accordingly did not have any provision for Hong Kong Profits Tax for the years ended 31 December 2015 and 2014.

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 2015 and 2014.

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:

	2015	2014
	HK$'000	*HK$'000*
Loss before taxation	**(9,153)**	(8,773)
Tax at the domestic income tax rate of 16.5% (2014: 16.5%)	**(1,510)**	(1,448)
Tax effect of income not taxable for tax purpose	**(4)**	(144)
Tax effect of expenses not deductible for tax purpose	**1,452**	1,511
Tax effect of tax loss not recognised	**62**	97
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:

	2015	2014
	HK$'000	*HK$'000*
Staff costs (excluding directors' emoluments)		
– Salaries and wages	**1,476**	1,451
– Retirement benefits scheme contributions	**43**	47
Total staff costs	**1,519**	1,498
Auditor's remuneration	**400**	400
Net foreign exchange losses	**10**	18
Operating lease rental on land and buildings	**475**	457
Depreciation on plant and equipment	**212**	173

10. DIVIDENDS

No dividend was paid or proposed during the year ended 31 December 2015 and 2014, nor has any dividend been proposed since the end of the reporting period.

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	**2015** ***HK$'000***	2014 *HK$'000*
Loss for the year attributable to owners of the Company	**(9,150)**	(8,773)

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	**2015** ***'000***	2014 *'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 as the effect of potential ordinary shares is anti-dilutive for the years ended 31 December 2015 and 2014.

12. TRADE RECEIVABLES

	2015 ***HK$'000***	2014 *HK$'000*
Trade receivables	**33,978**	22,007

The Group did not hold any collateral over these balances.

The Group's average credit periods granted to customers were 30 to 90 days. Before accepting any new customer, the Group has adopted credit limits for different customer risk levels which are reviewed as customer conditions or overall economic conditions warrant. The management would review the credit quality and limit of each customer on each year.

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.

	2015 ***HK$'000***	2014 *HK$'000*
Within 30 days	**3,545**	–
More than 30 days but within 90 days	**5,428**	4,452
More than 90 days but within 180 days	**8,137**	687
More than 180 days but within 365 days	**–**	1,175
Over 365 days	**16,868**	15,693
	33,978	22,007

EXTRACT OF INDEPENDENT AUDITOR'S REPORT ON THE COMPANY'S CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

The Company's auditor has qualified the report on the Group's consolidated financial statements for the year ended 31 December 2015, 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 2015, 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 2014 (the "2014 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 31 March 2015 and matters described in (2) to (7) below. Accordingly, we are unable to carry out audit procedures on the opening balances as to whether the 2014 Financial Statements gave a true and fair view of the state of affairs of the Group as at 31 December 2014 and 1 January 2015 and of the Group's loss and cash flows for the year ended 31 December 2015.

(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 policies 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 2015 and 2014, 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 respectively were recognised for the year ended 31 December 2011 and impairment loss for these amounts were also recognised in the same year.

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 2015, 1 January 2015 and 31 December 2014 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 2015 and 2014. 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

We are unable to obtain direct confirmations in respect of an amount due to a former director of approximately HK$5,265,000 which was included in other payables and accruals and an amount due to a director of approximately HK$2,512,000 which was included in amounts due to directors for the year ended 31 December 2015 and 2014. There is no other sufficient evidence has been provided to prove the completeness, existence and accuracy of the aforesaid balances. There are no alternative audit procedures that we can perform to satisfy ourselves as to whether the aforesaid balances are free from material misstatement as at 31 December 2015 and 2014.

(4) Amount due from a related company

As explained in the consolidated financial statements, impairment loss of approximately HK$64,572,000 was recognised on an amount due from a related company, 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 the related company and no sufficient evidence has been provided to satisfy ourselves as to the completeness, existence, accuracy and valuation of the aforesaid balance 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 2015 and 2014 was free from material misstatements.

(5) Impairment assessment on prepayments for investments

As stated in the consolidated financial statements, impairment loss of approximately HK$59,996,000 was recognised on the prepayments during the year ended 31 December 2011. We are unable to obtain direct audit confirmations in respect of such prepayments for investments and have not been provided with sufficient evidence to satisfy ourselves as to the validity, completeness and recoverability of the aforesaid prepayments for investments and as to whether the impairment loss recognised in respect of the prepayments for investments determined by the directors of the Company against the carrying amounts of the prepayments 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 2015 and 2014 was free from material misstatements.

(6) Trade receivables

As at 31 December 2015 and 2014, included in the trade receivables of carrying amount of approximately HK$16,868,000 is resulted from the trading business. The trade receivables have been past due but no impairment is recognised by the directors of the Company as at 31 December 2015 and 2014. 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$16,868,000 as at 31 December 2015 and 2014. Accordingly, we were unable to satisfy ourselves as to whether the carrying amount of approximately HK$16,868,000 included in trade receivables was free from material misstatement as at 31 December 2015 and 2014.

(7) Prepayment

As at 31 December 2015 and 2014, 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 2015 and 2014. 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 2015 and 2014.

(8) Going concern

The Group incurred a loss for the year of approximately HK$9,153,000 for the year ended 31 December 2015 and accumulated losses of approximately HK$404,177,000 as at 31 December 2015.

As explained in the basis of preparation set out in 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 note 2 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, to provide for further liabilities which may arise and to reclassify non-current assets and non-current liability as current assets and current liabilities. 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 2015 and 2014 and results, equity and cash flows for the years ended 31 December 2015 and 2014 and the related disclosures thereof in the consolidated financial statements for the year ended 31 December 2015 and 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 trading business and information technology business during the year. The Group recorded a turnover of approximately HK$56.1 million, representing an increase of approximately 51.0% from the turnover recorded on last year of approximately HK$37.1 million.

During the Year 2011, the Suspended 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 financial statements of the PRC Subsidiaries (the "Event").

With the Hong Kong High Court Order (the "Court Order") issued in May 2013, the Suspended Directors were required to, among other things, 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 Orders up till the date hereof. 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 Suspended 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.

In December 2014 a judgment ordering, among other things, the repayment to the Company by the Suspended Directors (jointly and severally) in a sum of RMB150 million with interest thereon was handed down by the High Court (the "Judgment"). Due to the fact that the Suspended Directors had failed to comply with the Judgment, the Company took further action to enforce the Judgment and obtained a charging order (the "Charging Order") to create a fixed charge over beneficial interest of the issued share capital of the Company held by Mr. LG Xu. After having obtained the Charging Order, the Company commenced an originating summons for the disposal of the said interest in February 2016.

The prolonged litigation originated by the Suspended Directors had caused substantial damages and serious disruption to the Group especially during the period from Year 2012 to Year 2014. Not until the clarification of the matter by the Court Order and the Judgment, the Company regained the confidence from the financier, vendors, and suppliers.

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 if the trading of shares of the Company be resumed.

Prospect

The Hong Kong operations of the Group have been engaged in trading business since Year 2007. Although there is limited financial resources, the management still solicits business from previous networks and partners since 2013 to its possible extent. The Group's products so traded are mainly industrial machinery, electrical control equipment and raw materials (such as scrap aluminium, fiber glass and timber). During Year 2015, the Group has diversified its trading business to other products referred by previous business networks with a view to improve the margin and variety of products to support the Company's growth in a longer run. Recently, the Group has entered into sales contract with certain PRC companies to supply them with raw materials and commodities from South-east Asia. The mineral is essential for the production of stainless steel as well as batteries. The management will continuously spend its effort to expand and further develop the existing trading business of the Company, and will look for potential business partners and/or customers for trading of other products and commodities in the context of related diversification.

Besides, the Company has incorporated a new subsidiary (the "Manufacturing Subsidiary") and implement a "contract processing approach" (the "Approach") to develop automobile cleaning equipment with higher efficiency and environmentally more friendly. It plans to develop and manufacture key electrical and mechanical control components in Hong Kong. As a preliminary plan, the components will be sold to the PRC market and would be used for the assembly of the car washing machine. Moreover, the Manufacturing Subsidiary has also entered into sales contract with a Hong Kong customer to supply components for electric and electronic products. The Manufacturing Subsidiary also used the Approach to fulfill the sales contract.

For the information technology business, the Company will continue developing and expanding its system integration and project management business. The Company has already been providing project management and support service to customer a South American company for their telecom value-added service in the PRC. The Company is finalizing with two PRC companies to provide technical and marketing support to their telecom value-added service in Shangdong as well as Guangdong province, the PRC. As more time is required to prepare for the integration and launching of the service due to recent dynamic business environment in the mainland, it is expected that the provision of such services will be further delayed.

During the year, the Group has engaged in e-commerce and IT distribution business through a new set-up subsidiary (the "IT Subsidiary"). The IT Subsidiary had entered into a distribution agreement with a Taiwan listed company to distribute their characters branded 3C products in the PRC market. Moreover, the IT Subsidiary further engages in the area of e-commerce and entered into a supply contract with a renowned retail chain in the PRC to supply skin care products from a reputable German company.

The Board has confidence to recover the Company's full operation through organic growth if the trading of shares of the Company be resumed by the Stock Exchange of Hong Kong.

Financial Review and Liquidity

Turnover

The Group recorded a turnover of approximately HK$56.1 million, representing an increase of approximately 51.0% when compared with last year of approximately HK$37.1 million. The Group's operation has been improved substantially after obtaining a working capital of HK$30 million during the year.

Gross Margin

The Group recorded a gross profit of approximately HK$2.2 million. The increase in gross profit was in line with the increase in turnover as the management had spent extensive efforts to expand and further develop the existing business of the Company. The gross profit margin for the year was improved to 3.9% from 3.3% last year. The improvement was due to the diversification of products with higher margin.

Net Loss

The Group has recorded a net loss of approximately HK$9.2 million for the year as compared with a loss of HK$8.8 million last year though the turnover and gross profit of the Group was increased by 51.0% and 76.4% respectively. Besides, the administrative expenses was reduced by 7.6% due to the effort of management control in operating expenses. Nevertheless legal and professial fee remained at high level in an amount of approximately HK$3.9 million or 42% of total administrative expenses incurred. However, these benefits were counteracted by the increase in finance costs of 178.8% due to the interest payment of the new working capital loan. The net loss for the year increased slightly by 4.3%.

Liquidity

As at 31 December 2015, bank balances and cash of the Group were approximately HK$4.8 million (31 December 2014: HK$2.7 million).

Liquidity as measured by current ratio (defined as “Current Assets/Current Liabilities”) with a ratio of 1.75x during the year was improved when compared with last year 1.0x. Regarding the current assets, approximately 9.8% were cash and bank deposit. The cash level was considered as acceptable at the time being. The Group will take effort to retain its liquidity at a sufficient level.

Leverage

Net gearing ratio of the Group (measured as Total debts – Cash available/Total Net Worth) was nil in the year (31 December 2014: 3.77). It is attributable to the new working capital loan.

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 2015.

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 2015.

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 Mr. LG Xu whose duties have been suspended and failed to response to the enquiries of the Company) have confirmed compliance with the required standard set out in the Code of Conduct throughout the year ended 31 December 2015.

Whilst Mr. LG Xu 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 2015. 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, 30 March 2016

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.