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 2016

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 2016 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 2016

	Note	**2016** ***HK$'000***	2015 *HK$'000*
Revenue	*4*	**111,916**	56,062
Cost of sales		**(106,221)**	(53,867)
Gross profit		**5,695**	2,195
Other revenue and gain or loss	*6*	**48**	(43)
Administrative expenses		**(9,386)**	(9,384)
Finance costs	*7*	**(2,252)**	(1,921)
Loss before taxation		**(5,895)**	(9,153)
Income tax expenses	*8*	**(24)**	–
Loss for the year	*9*	**(5,919)**	(9,153)

* *for identification purpose only*

	Note	2016 HK$'000	2015 HK$'000
Other comprehensive income			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translating foreign operations		**8**	–
Total comprehensive expense for the year		**(5,911)**	(9,153)
Loss for the year attributable to:			
Owners of the Company		**(5,857)**	(9,150)
Non-controlling interests		**(62)**	(3)
		(5,919)	(9,153)
Total comprehensive expense for the year attributable to:			
Owners of the Company		**(5,849)**	(9,150)
Non-controlling interests		**(62)**	(3)
		(5,911)	(9,153)
Loss per share			
– Basic and diluted (HK cents per share)	*11*	**(0.54)**	(0.84)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2016

	Note	2016 HK$'000	2015 HK$'000
Non-current assets			
Plant and equipment		**2**	41
Interests in an associate		**–**	–
Prepayments for investments		**–**	–
Available-for-sale investments		**–**	–
		2	41
Current assets			
Inventories		**532**	–
Trade receivables	*12*	**49,228**	33,978
Amount due from a related company		**–**	–
Amount due from an associate		**–**	–
Amounts due from former subsidiaries		**–**	–
Held for trading investments		**1,286**	1,376
Prepayments and other receivables		**8,068**	9,048
Promissory note receivable		**532**	–
Bank balances and cash		**2,043**	4,836
		61,689	49,238
Current liabilities			
Trade payables	*13*	**8,291**	–
Other payables and accruals		**12,690**	10,411
Amounts due to directors		**3,973**	3,979
Tax payable		**13,713**	13,689
Other borrowings		**34,633**	–
Promissory note payable		**3,102**	–
		76,402	28,079
Net current (liabilities) assets		**(14,713)**	21,159
Total assets less current liabilities		**(14,711)**	21,200

	Note	2016 HK$'000	2015 HK$'000
Capital and reserves			
Share capital		**108,726**	108,726
Reserves		**(123,372)**	(117,523)
Equity attributable to owners of the Company		**(14,646)**	(8,797)
Non-controlling interests		**(65)**	(3)
Total equity		**(14,711)**	(8,800)
Non-current liability			
Other borrowings		**–**	30,000
		(14,711)	21,200

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 provision of 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 "PRC Subsidiaries") as at 31 December 2016 and 2015, 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.

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

The Group incurred a net loss of approximately HK$5,919,000 for the year ended 31 December 2016, net current liabilities of approximately HK$14,713,000, net liabilities of approximately HK$14,711,000, accumulated losses of approximately HK$410,034,000 as at 31 December 2016 and negative operating cash flow of approximately HK$7,821,000 for the year ended 31 December 2016. 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 2016 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")

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

Amendments to HKFRSs	Annual Improvements to HKFRSs 2012 – 2014 Cycle
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKAS 27	Equity Method in Separate Financial Statements
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations

The application of the new and revised HKFRSs in the current year 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 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]
HKFRS 16	Leases[3]
Amendments to HKAS 7	Disclosure Initiative[1]
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[2]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contract[2]
Amendments to HKFRSs	Annual improvements to HKFRS Standards 2014-2016 Cycles[5]

1 Effective for annual periods beginning on or after 1 January 2017.
2 Effective for annual periods beginning on or after 1 January 2018.
3 Effective for annual periods beginning on or after 1 January 2019.
4 Effective date not yet been determined.
5 Effective for annual periods beginning on or after 1 January 2017 or 1 January 2018, as appropriate.

4. REVENUE

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

	2016	2015
	HK$'000	*HK$'000*
Trading and distribution of goods	**111,719**	54,091
IT business	**197**	1,971
	111,916	56,062

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

Trading business	–	trading of machine, commodities, wine, mineral ore and construction materials, etc.
IT business	–	provide IT solutions and support service for business 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 2016

	Trading business	**IT business**	**Agency service**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
Revenue	**111,719**	**197**	**–**	**111,916**
Segment profit (loss)	**251**	**(598)**	**–**	**(347)**
Unallocated corporate expenses				**(3,344)**
Unallocated other gain or loss				**48**
Finance costs				**(2,252)**
Loss before taxation				**(5,895)**

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 gain or loss				(43)
Finance costs				(1,921)
Loss before taxation				(9,153)

The accounting policies of the reportable segments are the same as the Group's accounting policies. Segment loss represents loss from or the profit earned by each segment without allocation of central administration costs, directors' salaries, change in fair value of held for trading investments, dividend income from held for trading investments, interest income on promissory note receivable 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**	
	2016	2015	**2016**	2015
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
The PRC including Hong Kong	**94,364**	50,865	**2**	41
Macau	**689**	5,197	**–**	–
Singapore	**16,863**	–	**–**	–
	111,916	56,062	**2**	41

6. OTHER REVENUE AND GAIN OR LOSS

	2016	2015
	HK$'000	*HK$'000*
Change in fair value of held for trading investments	**(90)**	(328)
Gain on disposal of held for trading investments	**–**	261
Dividend income from held for trading investments	**45**	24
Interest on promissory note receivable	**32**	–
Others	**61**	–
	48	(43)

7. FINANCE COSTS

	2016	2015
	HK$'000	*HK$'000*
Interest expenses on other borrowings	**2,150**	1,921
Interest expense on promissory note payable	**102**	–
	2,252	1,921

8. INCOME TAX EXPENSES

	2016	2015
	HK$'000	*HK$'000*
Current tax:		
Hong Kong	**24**	–

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the year ended 31 December 2016.

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

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 2016 and 2015.

9. LOSS FOR THE YEAR

Loss profit for the year has been arrived at after charging:

	2016	2015
	HK$'000	*HK$'000*
Staff costs (excluding directors' emoluments)		
– Salaries and wages	**1,912**	1,476
– Retirement benefits scheme contributions	**43**	43
Total staff costs	**1,955**	1,519
Auditor's remuneration	**450**	400
Net foreign exchange losses	**126**	10
Operating lease rental on land and buildings	**669**	475
Depreciation on plant and equipment	**41**	212

10. DIVIDENDS

No dividend was paid or proposed during the year ended 31 December 2016 and 2015, 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:

	2016	2015
Loss	***HK$'000***	*HK$'000*
Loss for the year attributable to owners of the Company	**(5,857)**	(9,150)

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

	2016	2015
Number of shares	***'000***	*'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 the Company's outstanding share options as the effect of potential ordinary shares is anti-dilutive for the years ended 31 December 2016 and 2015.

12. TRADE RECEIVABLES

	2016	2015
	HK$'000	*HK$'000*
Trade receivables	**49,228**	33,978

The Group did not hold any collateral over these balances.

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

	2016	2015
	HK$'000	*HK$'000*
Within 30 days	**18,025**	3,545
More than 30 days but within 90 days	**3,931**	5,428
More than 90 days but within 180 days	**1,557**	8,137
More than 180 days but within 365 days	**6,217**	–
Over 365 days	**19,498**	16,868
	49,228	33,978

13. TRADE PAYABLES

	2016	2015
	HK$'000	*HK$'000*
Trade payables	**8,291**	–

The following is an aged analysis of the trade payables presented based on the invoice date at the end of reporting period.

	2016	2015
	HK$'000	*HK$'000*
Within 30 days	**2,995**	–
More than 30 days but within 90 days	**7**	–
More than 90 days but within 180 days	**100**	–
More than 180 days but within 365 days	**5,189**	–
	8,291	–

The Group's average credit periods on purchases of goods were 30 to 90 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

EXTRACT OF INDEPENDENT AUDITOR'S REPORT ON THE COMPANY'S CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

The Company's auditor has qualified the report on the Group's consolidated financial statements for the year ended 31 December 2016, an extract of which is as follows:

DISCLAIMER OF OPINION

Because of the significance of the matters described in the following Basis for Disclaimer of Opinion paragraphs, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements. In all other respects, in our opinion the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS OF DISCLAIMER OF OPINION

During the course of our audit of the Group's consolidated financial statements for the year ended 31 December 2016, 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 2015 (the "2015 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 2016 and matters described in (2) to (8) below. Accordingly, we are unable to carry out audit procedures on the opening balances as to whether the 2015 Financial Statements gave a true and fair view of the state of affairs of the Group as at 31 December 2015 and 1 January 2016 and of the Group's loss and cash flows for the year ended 31 December 2016.

(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 2016 and 2015, 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 2016, 1 January 2016 and 31 December 2015 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 2016 and 2015. 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 suspended director of approximately HK$2,512,000 which was included in amounts due to directors for the year ended 31 December 2016 and 2015. 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 2016 and 2015.

(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 2016 and 2015 was free from material misstatements.

(5) Impairment assessment on prepayment 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 2016 and 2015 was free from material misstatements.

(6) Trade receivables

As at 31 December 2016 and 2015, included in the trade receivables of carrying amounts of approximately HK$20,188,000 and HK$16,868,000 respectively resulted from the trading business. The trade receivables have been past due but no impairment were recognised by the directors of the Company as at 31 December 2016 and 2015. We were also unable to obtain sufficient reliable evidence to ascertain the recoverability of the aforesaid balances. 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, completeness and valuation of HK$20,188,000 and HK$16,868,000 as at 31 December 2016 and 2015 respectively. Accordingly, we were unable to satisfy ourselves as to whether the carrying amounts of approximately HK$20,188,000 and HK$16,868,000 included in trade receivables were free from material misstatement as at 31 December 2016 and 2015 respectively.

(7) Prepayment

As at 31 December 2016 and 2015, included in prepayments and other receivables was a prepayment of approximately HK$6,590,000 made to a supplier in 2013 for purchase of goods. There is no goods being received from the supplier in relation to the prepayment subsequent to the end of the reporting period and no impairment was recognised by the directors of the Company as at 31 December 2016 and 2015. 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 2016 and 2015.

(8) Going concern

The Group incurred a loss for the year of approximately HK$5,919,000 for the year ended 31 December 2016, net current liabilities of approximately HK$14,713,000, net liabilities of approximately HK$14,711,000, accumulated losses of approximately HK$410,034,000 as at 31 December 2016 and negative operating cash flow of approximately HK$7,821,000 for the year ended 31 December 2016.

As explained in the basis of preparation set out in note 2 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 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 2016 and 2015 and results, equity and cash flows for the years ended 31 December 2016 and 2015 and the related disclosures thereof in the consolidated financial statements for the year ended 31 December 2016 and 2015.

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$111.9 million, representing an increase of approximately 100% from the turnover recorded on last year of approximately HK$56.1 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. Subsequently, the High Court of Hong Kong has granted an order for sale of the charged asset of Mr. LG Xu in favour of the Company in March 2017.

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 bank facilities in Hong Kong to support the business development of Hong Kong operations.

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 raw materials (such as scrap aluminium, fiber glass and timber) and mineral ore which is essential to the manufacturing of automobile and batteries. During Year 2016, 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. Currently, the Group is supplying building materials to infrastructure projects in Hong Kong and is also in course of negotiating and concluding several new contracts relating thereto recently. The Group is also negotiating with other suppliers to distribute varieties of building materials to diversify the product mix. 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.

The Company has always been trying to re-establish the manufacturing business of the Group. However, due to limit resource, the Group is not able to build up or acquire a manufacturing plant despite sales orders can be obtained from referrals of previous customer from time to time. Recently, the Group has successfully negotiated with an established factory in the PRC (the "Battery Plant") and has entered into processing contracts to produce batteries for vehicles. The Battery Plant will provide sufficient production capacity to fulfil the Group's sales orders on hand.

The Company is in the course of negotiating with certain vendors to acquire certain projects in order to strengthen the Company's asset base as well as improve the Company's revenue stream.

Financial Review and Liquidity

Gross Margin

The Group recorded a gross profit of approximately HK$5.7 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 5.1% from 3.9% last year. The improvement was due to the diversification of products to buildings materials with higher margin.

Net Loss

The Group has recorded a net loss of approximately HK$5.9 million which was decreased 35.3% compare with last year of approximately HK$9.2 million. The significant decrease of the net loss was due to the increase in turnover and gross profit of the Group by 99.6% and 159.5% respectively during the year. However, the administrative expenses remained at high level in an amount of approximately 9.4 million which is nearly the same as last year. Also, the finance cost was increased 17.2% from 1.9 million on last year to 2.3 million during this year due to the interest payment of the new working capital loan for the building materials distribution business. Accordingly, the Group still recorded a net loss for the year.

Liquidity

As at 31 December 2016, bank balances and cash of the Group were approximately HK$2.0 million (31 December 2015: HK$4.8 million).

Liquidity as measured by current ratio (defined as "Current Assets/Current Liabilities") with a ratio of 0.81x during the year was deteriorated when compared with last year 1.75x. Regarding the current assets, approximately 3.3% were cash and bank deposit. The Group will take effort to improve its liquidity at a sufficient level such as utilise the long-term loan to replace the short-term loan.

Leverage

Net gearing ratio of the Group (measured as Total debts – Cash available/Total Net Worth) was not applicable in the year (31 December 2015: n/a). 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 2016.

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 2016.

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 2016.

Whilst the 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 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 2016. 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 2017

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; and Messrs. Sun Ka Ziang Henry, Chan Shiu Man and Wong Chi Chung as independent non-executive Directors.