ZHONGDA INTERNATIONAL HOLDINGS LIMITED
（中大國際控股有限公司*）

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

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2016

The board of directors (the "Board") of Zhongda International Holdings Limited (the "Company") is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2016 together with the comparative figures for the corresponding period of 2015, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2016

		For the six months ended 30 June	
		2016	2015
	Notes	***HK$'000***	*HK$'000*
		(Unaudited)	(Unaudited)
Revenue	*5*	**40,527**	23,101
Cost of sales		**(38,934)**	(22,409)
Gross profit		**1,593**	692
Administrative expenses		**(3,384)**	(4,883)
Other revenue and gain or loss		**(82)**	250
Finance costs	*6*	**(972)**	(960)
Loss before taxation	*7*	**(2,845)**	(4,901)
Income tax expense	*8*	**–**	–
Loss for the period		**(2,845)**	(4,901)
Loss and total comprehensive expense for the period attributable to:			
Owners of the Company		**(2,987)**	–
Non-controlling interests		**142**	–
		(2,845)	(4,901)
Loss per share			
– Basic and diluted (HK cents per share)	*10*	**(0.26)**	(0.45)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2016

	Note	30 June 2016 HK$'000 (Unaudited)	31 December 2015 HK$'000 (Audited)
Non-current assets			
Plant and equipment		**3**	41
Interests in associates		**–**	–
Prepayment for investments		**–**	–
Available-for-sale investments		**–**	–
		3	41
Current assets			
Inventories		**76**	–
Trade receivables	*11*	**46,007**	33,978
Amount due from a related company		**–**	–
Amounts due from former subsidiaries		**–**	–
Held for trading investments		**1,272**	1,376
Prepayments and other receivables		**10,272**	9,048
Other financial assets		**500**	–
Bank balances and cash		**1,288**	4,836
		59,415	49,238
Current liabilities			
Trade payables	*12*	**12,410**	–
Other payables and accruals		**11,271**	10,411
Amounts due to directors		**3,493**	3,979
Tax payable		**13,689**	13,689
Other borrowings		**30,200**	–
		71,063	28,079
Net current (liabilities) assets		**(11,648)**	21,159
Total assets less current liabilities		**(11,645)**	21,200
Capital and reserves			
Share capital		**108,726**	108,726
Reserves		**(120,510)**	(117,523)
Equity attributable to owners of the Company		**(11,784)**	(8,797)
Non-controlling interests		**139**	(3)
Total equity		**(11,645)**	(8,800)
Non-current liability			
Other borrowings		**–**	30,000
		(11,645)	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 principal activities of the Company and its subsidiaries (collectively referred as the "Group") are principally engaged in the provision of trading business and information technology ("IT") business.

The condensed 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

The condensed consolidated financial statements for the six months ended 30 June 2016 have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with the Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

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 interests 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 six months ended 30 June 2016 and 31 December 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 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.

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 condensed 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$2,845,000 for the six months ended 30 June 2016 and accumulated losses of approximately HK$407,164,000 as at 30 June 2016.

Notwithstanding the above, the condensed consolidated financial statements have been prepared on a going concern basis, the validity of which is dependent upon:

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

– 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 condensed consolidated financial statements on a going concern basis. 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 and to provide for further liabilities which might arise. The effect of these adjustments has not been reflected in the condensed consolidated financial statements.

3. PRINCIPLE ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments, which are measured at fair values.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2016 are the same as those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2015.

In the current interim period, the Group has applied, for the first time, the following new standards, amendments and interpretation ("new HKFRSs") issued by the HKICPA which are effective for the Group's financial year beginning 1 January 2016.

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 Group has not applied any new or revised HKFRSs that are not yet effective for the current interim period.

The application of the new and revised HKFRSs in the current year has had no material effect on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these condensed consolidated financial statements.

4. 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, cement, IT products, wine 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 segments.

For the six months ended 30 June 2016 (unaudited)

	Trading business *HK$'000*	**IT business** *HK$'000*	**Agency service** *HK$'000*	**Total** *HK$'000*
Revenue	**40,378**	**149**	**–**	**40,527**
Segment (loss) profit	**1,189**	**(429)**	**(7)**	**753**
Unallocated corporate expenses				**(2,544)**
Unallocated other expenses				**(82)**
Finance costs				**(972)**
Loss before taxation				**(2,845)**

For the six months ended 30 June 2015 (unaudited)

	Trading business *HK$'000*	IT business *HK$'000*	Agency Service *HK$'000*	Total *HK$'000*
Revenue	23,101	–	–	23,101
Segment (loss) profit	688	(1)	(3)	684
Unallocated corporate expenses				(4,875)
Unallocated other revenue				250
Finance costs				(960)
Loss before taxation				(4,901)

The accounting policies of the reportable segments are the same as the Group's accounting policies described in the Group's annual consolidated financial statements for the year ended 31 December 2015. 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.

5. REVENUE

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

	For the six months ended 30 June	
	2016	2015
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Trading and distribution of goods	**40,527**	23,101

6. FINANCE COSTS

	For the six months ended 30 June	
	2016	2015
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Interest on other borrowings wholly repayable within five years	**972**	960

7. LOSS BEFORE TAXATION

Loss before taxation has been arrived at after charging:

	For the six months ended 30 June	
	2016	2015
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Staff costs (excluding directors' emoluments)		
– Salaries and wages	**754**	665
– Retirement benefits scheme contributions	**33**	33
Total staff costs	**787**	698
Net foreign exchange losses	**90**	–
Operating lease rental on land and buildings	**333**	235
Depreciation on plant and equipment	**41**	106

8. INCOME TAX EXPENSE

No provision for Hong Kong Profits Tax has been made for the six months ended 30 June 2016 and 2015 as the Group does not have any assessable profits subject to Hong Kong Profits Tax for both periods.

9. DIVIDENDS

No dividends were paid, declared or proposed during the reporting period. The directors do not recommend the payment of an interim dividend (six months ended 30 June 2015: nil).

10. 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:

	For the six months ended 30 June	
	2016	2015
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Loss for the purpose of basic and diluted loss per share	**2,845**	4,901

The calculation of the basic and diluted loss per share attributable to owners of the Company is based on the loss for the period attributable to owners of the Company of approximately HK$2,845,000 (2015: HK$4,901,000) and the following data:

Number of shares	**2016** ***'000*** **(Unaudited)**	2015 *'000* (Unaudited)
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	**1,087,258**	1,087,258

11. TRADE RECEIVABLES

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.

	30 June 2016 ***HK$'000*** **(Unaudited)**	31 December 2015 *HK$'000* (Audited)
Within 30 days	**15,692**	3,545
More than 30 days but within 90 days	**462**	5,428
More than 90 days but within 180 days	**10,086**	8,137
More than 180 days but within 365 days	**2,899**	–
Over 365 days	**16,868**	16,868
	46,007	33,978

12. TRADE PAYABLES

Included in trade payables are creditors with the following ageing analysis presented based on the invoice date at the end of the reporting period:

	30 June 2016 ***HK$'000*** **(Unaudited)**	31 December 2015 *HK$'000* (Audited)
Within 30 days	**3,662**	–
More than 90 days but within 180 days	**8,748**	–
	12,410	–

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

The Group is principally engaged in trading business and information technology business during the period. The Group recorded a turnover of approximately HK$40.5 million during this period, representing an increase of approximately 75% when compared with the last interim period.

During the Year 2011, Mr. LG Xu (the "Suspended Director") and Mr. LK Xu (the "Former Director") together as the subject directors (the "Subject Directors") failed to account for the whereabouts 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 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 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 Subject Directors for among others, the whereabouts 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 effect rolled into Year 2012 and first half year of Year 2013 until 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 be in a better position to negotiate with customers and vendors on a longer term basis. The operations of the Group started to regain its momentum since late Year 2013. However, during the past two years, the Company suffered from stagnant operations in diminution of financial resources due to prolonged litigations with the Subject Directors to enforce the Court Order and judgement against the Subject Directors. The Company could not obtain any financial support from banks or external financier due to the suspension of trading of the Company's shares and prolonged litigations. The Board (except the Suspended Director) and the management strived hard to solicit businesses for the Company.

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 are limited financial resources, the management endeavor to solicits business from previous networks and partners to its possible extent. The Group's products so traded are mainly industrial machinery, electrical control equipment and raw materials (such as scrap aluminium). During this period, 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 commenced trading some mineral ore which is essential to the manufacturing of automobile and 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 Group has been commencing its business to supply building materials to contractors for infrastructure projects in Hong Kong. Currently, the Group is supplying cement to infrastructure projects in Hong Kong. The Group is also in preliminary negotiating with other suppliers to distribute varieties of building materials to diversify the product mix.

Apart from the abovementioned development, the Company has also incorporated a subsidiary to develop automobile cleaning equipment. Such subsidiary has entered into a contract to supply components for electric and electronic products. The Company is exploring further business opportunities in the area of industrial manufacturing business.

For the information technology business, the Company has already been providing project management and support service to a South American company for their telecom value-added service in the PRC. The Company has also incorporated a subsidiary to develop branded consumer electronic products. Such subsidiary has entered into a contract with a company in Taiwan to market and distribute their consumer electronic products in the PRC. Recently, the subsidiary is further developing cooperation with a PRC manufacturer to co-brand and distribute their consumer electronic audio products.

Liquidity And Financial Resources

Turnover

The Group recorded a turnover of approximately HK$40.5 million, representing an increase of approximately 75% when compared in last interim period of approximately HK$23.1 million. The Group's operation has been improved substantially after obtaining a working capital loan of HK$30 million obtained in mid last year to improve the trade volume and diversify its business during the period.

Gross Margin

The Group recorded a gross profit of approximately HK$1.6 million in current interim period, making an increase of 1.29x from approximately HK$0.7 million during last interim period. 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 of the period has largely improved from 3.0% to 3.9% when compared to last interim period due to the diversification of business with higher margin accordingly.

Net Loss

The Group has recorded a net loss of approximately HK$2.8 million in current interim period as compared with a loss of HK$4.9 million in last interim period. The reduction of 42.9% was mainly due to the management's continuous effort to develop business which improved the turnover and gross profit during the period. Besides, the administrative expenses decreased by 30.6% from HK$4.9 million in last interim period to HK$3.4 million in current interim period which reflected management's further effort to control the operating expenses stringently.

Liquidity

As at 30 June 2016, bank balances and cash of the Group were approximately HK$1.3 million (31 December 2015: HK$4.8 million). Cash is mainly denominated in Hong Kong Dollars.

Liquidity as measured by current ratio (defined as "Current Assets/Current Liabilities") with a ratio of 0.84x as compared with 1.75x at last year end 2015. It was attributable to the reclassification of a long term borrowing. In order to retain its liquidity at a sufficient level, the management will make an effort to replace the short-term capital fund with mid/long-term working capital fund. Regarding the current assets, approximately 2% were cash and bank deposit which was acceptable to support normal daily working capital as the Group has fully utilized most of the working capital to expand the business and improve the profit.

Leverage

Net gearing ratio of the Group (measured as Total debts – Cash available/Total Net Worth) was nil in the period (31 December 2015: nil). It is attributable to the new working capital loan in last year.

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 six months ended 30 June 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 six months ended 30 June 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 six months ended 30 June 2016.

Whilst Mr. LG Xu did not directly confirm his compliance with Model Code on Securities Transaction, there being no records of him having transferred ownership of the Shares available to the Company 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, the risk management and the internal control system of the Group.

The audit committee has three members comprising all the independent non-executive directors of the Company. The unaudited condensed consolidated results of the Group for the six months ended 30 June 2016 have been reviewed by the audited committee of the Company.

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

Hong Kong, 31 August 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.

* *for identification purpose only*