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 2017

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 2017 together with the comparative figures for the corresponding period of 2016:

CONDENSED CONSOLIDATED STATEMENT PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the six months ended 30 June 2017

		For the six months ended 30 June	
		2017	2016
	Note	***HK$'000***	*HK$'000*
		(Unaudited)	(Unaudited)
Revenue	*5*	**40,879**	40,527
Cost of sales		**(39,887)**	(38,934)
Gross profit		**992**	1,593
Other revenue and gain or loss		**111**	(82)
Administrative expenses		**(4,978)**	(3,384)
Finance costs	*6*	**(1,380)**	(972)
Loss before taxation	*7*	**(5,255)**	(2,845)
Income tax expense	*8*	**–**	–
Loss for the period		**(5,255)**	(2,845)
Loss and total comprehensive expense for the period attributable to:			
Owners of the Company		**(5,257)**	(2,987)
Non-controlling interests		**2**	142
		(5,255)	(2,845)
Loss per share	*10*		
– Basic and diluted (HK cents per share)		**(0.48)**	(0.26)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2017

	Note	30 June 2017 HK$'000 (Unaudited)	31 December 2016 HK$'000 (Audited)
Non-current assets			
Plant and equipment		**2**	2
Interests in associate		**–**	–
Prepayment for investments		**–**	–
Available-for-sale investments		**–**	–
		2	2
Current assets			
Inventories		**585**	532
Trade receivables	*11*	**47,274**	49,228
Amount due from a related company		**–**	–
Amount due from an associate		**–**	–
Amounts due from former subsidiaries		**–**	–
Held for trading investments		**1,361**	1,286
Prepayments and other receivables		**7,894**	8,068
Promissory note receivable		**521**	532
Tax recoverable		**95**	–
Bank balances and cash		**395**	2,043
		58,125	61,689
Current liabilities			
Trade payables	*12*	**6,421**	8,291
Other payables and accruals		**10,562**	12,690
Amounts due to directors		**4,456**	3,973
Tax payable		**13,713**	13,713
Other borrowings		**36,633**	34,633
Promissory note payables		**6,289**	3,102
		78,074	76,402
Net current liabilities		**(19,949)**	(14,713)
Total assets less current liabilities		**(19,947)**	(14,711)

	FYR	30 June 2017	31 December 2016
		HK$'000	*HK$'000*
		(Unaudited)	(Audited)
Capital and reserves			
Share capital		**108,726**	108,726
Reserves		**(128,610)**	(123,372)
Equity attributable to owners of the Company		**(19,884)**	(14,646)
Non-controlling interests		**(63)**	(65)
Total equity		**(19,947)**	(14,711)

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 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 of the Group for the six months ended 30 June 2017 have been prepared in accordance with the applicable disclosure provisions 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 Financing Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("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 2017 and 31 December 2016, 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$5,255,000 for the six months ended 30 June 2017 and accumulated losses of approximately HK$415,291,000 as at 30 June 2017.

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. 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.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2016.

In the current interim period, the Group has applied, for the first time, the following new standards, amendments and interpretation ("new and revised HKFRSs") issued by the HKICPA which are effective for the Group's financial year beginning 1 January 2017.

Amendments to HKFRSs	Annual Improvements to HKFRSs 2014-2016 Cycle: Amendments to HKFRS 12
Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses

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 interim period has had no material effect on the Group's financial performance and positions for the current and prior periods 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 (the "Board"), 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, IT products, cement, 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 2017 (unaudited)

	Trading Business *HK$'000*	**IT business** *HK$'000*	**Agency service** *HK$'000*	**Total** *HK$'000*
Revenue	**40,839**	**40**	**–**	**40,879**
Segment (loss) profit	**1,080**	**(2)**	**(2)**	**1,076**
Unallocated corporate expenses				**(5,062)**
Unallocated other gain or loss				**111**
Finance costs				**(1,380)**
Loss before taxation				**(5,255)**

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 gain or loss				(82)
Finance costs				(972)
Loss before taxation				(2,845)

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.

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	
	2017	2016
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Trading and distribution of goods	**40,879**	40,527

6. FINANCE COSTS

	For the six months ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Interest on other borrowings	**1,193**	972
Interest on promissory note payables	**187**	–
	1,380	972

7. LOSS BEFORE TAXATION

Loss before taxation has been arrived at after charging:

	For the six months ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Staff costs (excluding directors' emoluments)		
– Salaries and wages	**653**	754
– Retirement benefits scheme contributions	**21**	33
Total staff costs	**674**	787
Net foreign exchange losses	**–**	90
Operating lease rental on land and buildings	**263**	333
Depreciation on plant and equipment	**–**	41

8. INCOME TAX EXPENSE

No provision for Hong Kong Profits Tax has been made for the six months ended 30 June 2017 and 2016 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 2016: 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	
	2017	2016
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Loss for the purpose of basic and diluted loss per share	**(5,255)**	(2,845)

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$5,255,000 (2016: HK$2,845,000) and the following data:

Number of shares	**2017**	2016
	'000	*'000*
	(Unaudited)	(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 2017	31 December 2016
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Within 30 days	**12,072**	18,025
More than 30 days but within 90 days	**7,944**	3,931
More than 90 days but within 180 days	**–**	1,557
More than 180 days but within 365 days	**3,388**	6,217
Over 365 days	**23,870**	19,498
	47,274	49,228

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 2017	31 December 2016
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
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	**3,003**	5,189
Over 365 days	**3,418**	–
	6,421	8,291

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$40.9 million during this period, representing a slightly increase of approximately 1% compared with the last period.

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 and raw materials (such as scrap aluminium) which is essential to the manufacturing of automobile and batteries. The Group is also supplying sand and cement to infrastructure projects in Hong Kong. Recently, the Group is negotiating and in the course of concluding several new contracts relating thereto. 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 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.

Liquidity And Financial Resources

Turnover

The Group recorded a turnover of approximately HK$40.9 million, representing a slightly increase of approximately 1% when compared with last interim period of approximately HK$40.5 million. The Group's operation has been relatively stable because the Group has fully utilised the working capital of HK$30 million to expand the business and diversification of products range during the last period. However, the Group is unable to obtain the new bank facilities to expand the business during the period because of the Event and suspension in trading of the shares of the Company on the Stock Exchange.

Gross Margin

The Group recorded a gross profit of approximately HK$1.0 million in current interim period which decreased HK$0.6 million when compared with last interim period of approximately HK$1.6 million. The decrease in margin was due to increase in competition in trading business, the management has fully utilized the working capital during this interim period to maintain the business with existing customers. However, the lack of additional work capital restricted the management from developing new business in other higher margin products.

Net Loss

The Group has recorded a net loss of approximately HK$5.3 million in current interim period which increased HK$2.5 million when compared with last interim period of approximately HK$2.8 million. The significant increase in net loss was due to decrease of gross profit of approximately HK$0.6 million when compared with last interim period. Also, though the management had spent extensive efforts to control the operating expenses, the legal and professional fee of the Event increase HK$2.3 million from HK$0.4 million in last interim period to HK$2.7 million in current period which counteract the savings from improving operating efficiency. Hence, the administrative expenses increased HK$1.6 million from HK$3.4 million in last interim period to HK$5.0 million in the current interim period. In addition, the finance cost increased approximately HK$0.4 million from HK$1.0 million in the last interim period to HK$1.4 million in current interim period due to increase in new working capital loan for the construction materials distribution business. Basic loss per shares for the period was approximately HK$0.48 cents.

Liquidity

As at 30 June 2017, bank balances and cash of the Group were approximately HK$0.4 million (31 December 2016: HK$2.0 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 0.74x was deteriorated as compared with last period. In order to retain its liquidity at a sufficient level, the management will take an effort replace the short-term capital fund to mid/long-term working capital fund. Regarding the current assets, approximately 1% were cash and bank deposit which represented the Group has fully utilized the working capital.

Leverage

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

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 2017.

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 2017.

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 2017.

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 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 2017 have been reviewed by the audit committee of the Company.

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

Hong Kong, 30 August 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.

* *for identification purpose only*