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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 2018

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 2018 together with the comparative figures for the corresponding period of 2017:

CONDENSED CONSOLIDATED STATEMENT PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2018

		For the six months ended 30 June	
		2018	2017
	Note	***HK$'000***	*HK$'000*
		(Unaudited)	(Unaudited)
Revenue	*5*	**21,024**	40,879
Cost of sales		**(20,133)**	(39,887)
Gross profit		**891**	992
Administrative expenses		**(6,274)**	(4,978)
Other revenue and gain or loss		**79**	111
Finance costs	*6*	**(2,086)**	(1,380)
Loss before taxation	*7*	**(7,390)**	(5,255)
Income tax expense	*8*	**–**	–
Loss for the period		**(7,390)**	(5,255)

		For the six months ended 30 June	
		2018	2017
	Note	***HK$'000***	*HK$'000*
		(Unaudited)	(Unaudited)
Other comprehensive income			
Item, that may be classified to profit or loss:			
Exchange differences arising on translating foreign operations		**5**	–
Total comprehensive expense for the period		**(7,385)**	(5,255)
Loss for the period attributable to:			
Owners of the Company		**(7,388)**	(5,257)
Non-controlling interests		**(2)**	2
		(7,390)	(5,255)
Total comprehensive expense for the period attributable to:			
Owners of the Company		**(7,383)**	(5,257)
Non-controlling interests		**(2)**	2
		(7,385)	(5,255)
Loss per share			
– Basic and diluted (HK cents per share)	*10*	**(0.68)**	(0.48)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2018

	Note	**30 June 2018**	31 December 2017
		HK$'000	*HK$'000*
		(Unaudited)	(Audited)
Non-current assets			
Deposit paid for acquisition of subsidiaries		**8,000**	–
Plant and equipment		**11**	13
Interests in associates		**–**	–
Prepayment for investments		**–**	–
Available-for-sale investments		**–**	–
		8,011	13
Current assets			
Trade receivables	*11*	**45,637**	43,420
Amount due from a related company		**–**	–
Amount due from an associate		**–**	–
Amounts due from former subsidiaries		**–**	–
Held for trading investments		**947**	938
Prepayments and other receivables		**7,970**	7,971
Promissory note receivable		**548**	532
Bank balances and cash		**2,612**	3,428
		57,714	56,289
Current liabilities			
Trade payables	*12*	**5,227**	5,307
Other payables and accruals		**11,355**	11,342
Amounts due to directors		**5,339**	4,809
Tax payable		**13,713**	13,713
Other borrowings		**49,172**	37,883
Promissory note payable		**11,602**	6,546
		96,408	79,600
Net current liabilities		**(38,694)**	(23,311)
Total assets less current liabilities		**(30,683)**	(23,298)

	Note	**30 June 2018**	31 December 2017
		HK$'000	*HK$'000*
		(Unaudited)	(Audited)
Capital and reserves			
Share capital		**108,726**	108,726
Reserves		**(139,300)**	(131,917)
Equity attributable to owners of the Company		**(30,574)**	(23,191)
Non-controlling interests		**(109)**	(107)
Total equity		**(30,683)**	(23,298)

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 of the Group for the six months ended 30 June 2018 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 2018 and 31 December 2017, 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$7,390,000 for the six months ended 30 June 2018 and accumulated losses of approximately HK$425,949,000 as at 30 June 2018.

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

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 condensed 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. 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.

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 2017.

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 2018.

HKFRS 9 (2014)	Financial instruments
HKFRS 15	Revenue from Contracts with Customers
Amendments to HKFRSs	Annual Improvements to HKFRSs 2014-2016 Cycle
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 40	Transfers of Investment Property

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

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 2018 (unaudited)

	Trading Business	**IT business**	**Total**
	HK$'000	***HK$'000***	***HK$'000***
Revenue	**20,992**	**32**	**21,024**
Segment (loss) profit	**903**	**(12)**	**891**
Unallocated corporate expenses			**(6,274)**
Unallocated other expenses			**79**
Finance costs			**(2,086)**
Loss before taxation			**(7,390)**

For the six months ended 30 June 2017 (unaudited)

	Trading Business *HK$'000*	IT business *HK$'000*	Total *HK$'000*
Revenue	40,839	40	40,879
Segment (loss) profit	994	(2)	992
Unallocated corporate expenses			(4,978)
Unallocated other revenue			111
Finance costs			(1,380)
Loss before taxation			(5,255)

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	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Trading and distribution of goods	**21,024**	40,879

6. FINANCE COSTS

	For the six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Interest on other borrowings	**2,020**	1,193
Interest on promissory note payable	**66**	187
	2,086	1,380

7. LOSS BEFORE TAXATION

Loss before taxation has been arrived at after charging:

	For the six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Staff costs (excluding directors' emoluments)		
– Salaries and wages	**429**	653
– Retirement benefits scheme contributions	**12**	21
Total staff costs	**441**	674
Operating lease rental on land and buildings	**272**	263
Depreciation on plant and equipment	**2**	–

8. INCOME TAX EXPENSE

No provision for Hong Kong Profits Tax has been made for the six months ended 30 June 2018 and 2017 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 2017: 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	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Loss for the purpose of basic and diluted loss per share	**(7,390)**	(5,255)

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$7,390,000 (2017: HK$5,255,000) and the following data:

Number of shares	**2018** **'000** **(Unaudited)**	2017 *'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 2018 ***HK$'000*** **(Unaudited)**	31 December 2017 *HK$'000* (Audited)
Within 30 days	**–**	11,725
More than 30 days but within 90 days	**19,535**	5,513
Over 365 days	**26,102**	26,182
	45,637	43,420

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 2018 ***HK$'000*** **(Unaudited)**	31 December 2017 *HK$'000* (Audited)
More than 180 days but within 365 days	**–**	2,403
Over 365 days	**5,227**	2,904
	5,227	5,307

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

The Group is principally engaged in trading business and information technology business during the 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 had been 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. The prolonged litigation originated by the Suspended Directors had caused substantial damages and serious disruption to the Group.

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. Further to the Charging Order, the High Court of Hong Kong has granted an order for sales (the "Order for Sale") in favour of the Company in March 2017. The Company is in the course of preparing for the execution of the Order for Sale.

Prospect

Following the entering into of a conditional sales and purchase agreement with certain vendors in relation to the acquisition of a target group which is principally engaged in distribution of LED chips, IC and LCD panels in Hong Kong and the PRC (the "Proposed Acquisition") on 6 November 2017, the Company submitted a new resumption proposal (the "Resumption Proposal") which contains, among other things: (i) the Proposed Acquisition, which will constitute a very substantial acquisition and reverse takeover under Chapter 14 of the Listing Rules and will be subject to the reporting, announcement and shareholders' approval requirements pursuant to the Listing Rules and approval of the new listing application of the Company by the Stock Exchange; (ii) the proposed disposal of the de-consolidated subsidiaries of the Company, which if materialized, will constitute a very substantial disposal and a connected transaction of the Company under the Listing Rules; (iii) proposed capital reorganization; (iv) proposed fund raising activities of the Company; and (v) the fulfillment of the other resumption conditions. On 15 February 2018, the Company received a letter from the Stock Exchange, which stated that the Stock Exchange agreed to allow the Company to submit a new listing application relating to the Resumption Proposal (but not any other proposal) on or before 31 May 2018. Due to the fact that it requires additional time to prepare the new listing application and the relevant documents, the Company has submitted an application (the "Application") for further extension of time for the submission of the Application to 30 October 2018. On 8 June 2018, the Company received a letter (the "Letter") from the Stock Exchange stating that the Listing Committee has rejected the Application and decided to cancel the listing of the Shares on the Stock Exchange under Practice Note 17 to the Listing Rules (the "Delisting Decision"). The Stock Exchange also indicated in the Letter that the last day of listing of Shares would be on 25 June 2018 and the listing of Shares will be cancelled with effect from 9:00 a.m. on 26 June 2018. On 15 June 2018, the Company filed an application for a review by the Listing (Review) Committee in relation to the Delisting Decision. The hearing of the Delisting Decision is scheduled to be heard on 4 September 2018 and the Company will announce any update thereon.

In light of the Proposed Acquisition, and subject to the results of the review by the Listing (Review) Committee, the Company will review from time to time the business of the Group as enlarged by any acquisition(s) from time to time and may adjust the business development plan and strategy of the Group.

Liquidity And Financial Resources

Turnover

The Group recorded a turnover of approximately HK$21.0 million, representing a decrease of approximately 48.7% when compare in last interim period of approximately HK$40.9 million. The Group's business has been adversely affected after the Company was placed into the third delisting stage during the year. Existing customers either reduced or suspended their activities with the Group. Business development projects were withheld.

Gross Margin

The Group recorded a gross profit of approximately HK$0.9 million in current interim period which decreased HK$0.1 million when compare in last interim period of approximately HK$1.0 million. The gross profit margin on this interim period was increased to 4.2% from 2.4% on last interim period. As the Group has utilised its limited resources for higher margin business during the interim period.

Net Loss

The Group has recorded a net loss of approximately HK$7.4 million in current interim period which increased by 39.6% when compare with last year of approximately HK$5.3 million. The significant increase of the net loss is mainly due to increase of administrative expense and finance cost of around HK$1.3 million and HK$0.7 million respectively. The increase of the administrative expense is mainly due to the increase of the legal and professional fee in relation to the Proposed Acquisition and Resumption Proposal. The legal and professional fee increased HK$1.5 million from HK$2.7 million on last interim period to HK$4.2 million during this interim period. Furthermore, the finance cost increased is mainly due to the interest payment of additional working capital loan for the legal and professional fee and deposit paid for the Proposed Acquisition. Basis loss per shares for the period was approximately HK$0.68 cents.

Liquidity

As at 30 June 2018, bank balances and cash of the Group were approximately HK$2.6 million (31 December 2017: HK$3.4 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 0.60x during the interim period was deteriorated when compared with last period 0.71x. Regarding the current assets, approximately 4.5% were cash and bank deposit. The Group will take effort to improve its liquidity at a sufficient level such as soliciting 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 nil in current interim period (31 December 2017: nil). 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 six months ended 30 June 2018.

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 2018.

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 2018.

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 2018 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, 28 August 2018

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*