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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)

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2011

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 2011 together with the comparative figures for the previous year as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2011

	<i>Note</i>	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i> (Restated)
Continuing operation			
Revenue	4	2,105	5,316
Other revenue and gain or loss	6	24	731
Administrative expenses		(18,600)	(26,446)
Impairment loss on prepayment for investments		(58,717)	–
Impairment loss on amounts due from associates		(795)	–
Impairment loss on amounts due from related companies		(64,572)	–
Change in fair value of warrants		(20,110)	–
Change in fair value of investment property		11,640	6,940
Finance costs	7	(424)	(535)
Loss before taxation		(149,449)	(13,994)
Income tax expense	8	(682)	(1,519)
Loss for the year from continuing operation		(150,131)	(15,513)

CONSOLIDATED INCOME STATEMENT (Cont'd)*For the year ended 31 December 2011*

	<i>Note</i>	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i> (Restated)
Discontinued operations			
(Loss) profit for the year from discontinued operations	10	<u>(341,442)</u>	<u>30,144</u>
(Loss) profit for the year		<u>(491,573)</u>	<u>14,631</u>
(Loss) profit for the year attributable to owners of the Company:			
– from continuing operation		<u>(150,131)</u>	<u>(15,513)</u>
– from discontinued operations		<u>(341,111)</u>	<u>39,048</u>
(Loss) profit for the year attributable to owners of the Company		<u>(491,242)</u>	<u>23,535</u>
Loss for the year attributable to non-controlling interests:			
– from continuing operation		–	–
– from discontinued operations		<u>(331)</u>	<u>(8,904)</u>
Loss for the year attributable to non-controlling interests		<u>(331)</u>	<u>(8,904)</u>
		<u>(491,573)</u>	<u>14,631</u>
(Loss) earnings per share			
	12		
<i>From continuing operation and discontinued operations</i>			
– Basic (HK cents per share)		<u>(45.29)</u>	<u>2.25</u>
– Diluted (HK cents per share)		<u>(45.29)</u>	<u>2.23</u>
<i>From continuing operation</i>			
– Basic (HK cents per share)		<u>(13.84)</u>	<u>(1.48)</u>
– Diluted (HK cents per share)		<u>(13.84)</u>	<u>(1.47)</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2011

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i> (Restated)
(Loss) profit for the year	(491,573)	14,631
Other comprehensive (expense) income		
Gain on revaluation of properties	–	4,277
Exchange differences arising on translation	3,422	1,698
Released on deconsolidation of subsidiaries	(14,032)	–
Income tax relating to components of other comprehensive income	–	(1,070)
	<u>(10,610)</u>	<u>4,905</u>
Total comprehensive (expense) income for the year	<u>(502,183)</u>	<u>19,536</u>
Total comprehensive (expense) income attributable to:		
Owners of the Company	(499,573)	28,024
Non-controlling interests	(2,610)	(8,488)
	<u>(502,183)</u>	<u>19,536</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2011

	<i>Note</i>	31.12.2011 <i>HK\$'000</i>	31.12.2010 <i>HK\$'000</i> (Restated)	1.1.2010 <i>HK\$'000</i> (Restated)
Non-current assets				
Property, plant and equipment		9	66,424	115,166
Prepaid lease payments		–	7,947	47,752
Investment properties		47,910	144,725	119,329
Interests in associates		–	22,949	20,780
Prepayment for investments		–	92,816	–
Available-for-sale investments		–	–	1,034
		47,919	334,861	304,061
Current assets				
Prepaid lease payments		–	216	1,115
Inventories		–	35,445	28,926
Amounts due from related companies		–	73,815	132,344
Amounts due from associates		–	119,388	330,440
Amounts due from former subsidiaries		–	–	–
Trade receivables	<i>13</i>	–	61,853	89,541
Amounts due from customers for contract work		–	52,109	61,168
Held for trading investments		2,870	5,840	–
Prepayments and other receivables		4,814	58,252	47,543
Derivative financial instruments		23	–	–
Restricted deposit placed in a financial institution		–	7,059	–
Deposits placed in financial institutions		–	17,674	–
Restricted bank balances		–	94,195	132,906
Pledged bank deposit		–	11,446	11,487
Bank balances and cash		7,833	265,584	98,685
		15,540	802,876	934,155

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Cont'd)

At 31 December 2011

	Note	31.12.2011 HK\$'000	31.12.2010 HK\$'000 (Restated)	1.1.2010 HK\$'000 (Restated)
Current liabilities				
Amounts due to customers for contract work		–	45,719	50,534
Trade and bills payables	14	–	315,079	354,329
Advance receipts from customers		–	6,713	5,077
Other payables and accruals		6,665	56,732	53,420
Amount due to an associate		–	5,484	–
Amounts due to related companies		–	4,431	5,118
Amounts due to directors		9,748	8,445	6,305
Tax payable		13,689	38,881	34,693
Bank and other borrowings		12,630	171,013	242,386
Bank overdrafts		–	–	7,192
Derivative financial instruments		11,819	–	–
		<u>54,551</u>	<u>652,497</u>	<u>759,054</u>
Net current (liabilities) assets		<u>(39,011)</u>	<u>150,379</u>	<u>175,101</u>
Total assets less current liabilities		<u>8,908</u>	<u>485,240</u>	<u>479,162</u>
Capital and reserves				
Share capital		108,726	105,233	103,388
Reserves		(99,974)	371,711	325,828
Equity attributable to owners of the Company		<u>8,752</u>	<u>476,944</u>	<u>429,216</u>
Non-controlling interests		–	2,610	1,180
Total equity		<u>8,752</u>	<u>479,554</u>	<u>430,396</u>
Non-current liabilities				
Bank and other borrowings		–	–	42,638
Deferred tax liability		156	5,686	6,128
		<u>156</u>	<u>5,686</u>	<u>48,766</u>
		<u>8,908</u>	<u>485,240</u>	<u>479,162</u>

Notes:

1. GENERAL

The Company is 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 is an investment holding company and the principal activities of its subsidiaries are engaged in international trading business.

The consolidated financial statements are presented in Hong Kong dollars (“HK\$”) which is the same as the functional currency of the Company.

Changes in functional and presentation currencies

Items included in the consolidated financial statements of each of the Group’s entities are measured using the currency of the primary economic environment in which the entity operates (the “functional currency”).

In prior years, the directors of the Company regarded Renminbi (“RMB”) as the functional currency of the Company as the principal operations of the Company’s subsidiaries were carried out in the Peoples of Republic China (the “PRC”) in which those transactions were predominantly denominated in RMB. During the year ended 31 December 2011, the PRC subsidiaries, whose principal activities are located in the PRC are deconsolidated due to loss of control. The directors reassessed the Company’s functional and presentation currencies and considered to change the functional and presentation currencies of the Company from RMB to HK\$ since 1 September 2011 as HK\$ has become the currency that mainly influences the operation of the Company.

The change in functional currency of the Company was applied prospectively from the date of change in accordance with Hong Kong Accounting Standard 21 “The Effect of Changes in Foreign Exchange Rates”. On the date of the change of functional currency, all assets, liabilities, issued capital and other components of equity and income statement items were translated into HK\$ at the exchange rate on that date. As a result the cumulative currency translation differences which had arisen up to the date of the change of functional currency were reallocated to other components within equity.

Whereas the change in presentation currency of the Company was applied retrospectively, the comparative figures in these consolidated financial statements have also been restated to HK\$ accordingly.

2. BASIS OF PREPARATION

In preparing the consolidated financial statements, the directors of the Company have assessed the liquidity position and going concern of the Group in light of the fact that the Group had net current liabilities of approximately HK\$39,011,000 as at 31 December 2011. The directors of the Company are satisfied that the Group will have sufficient financial resources to meet its financial obligations as they fall due in the foreseeable future, after taking into consideration of the proceeds received from the disposal of the investment property amounted to HK\$52,000,000 during the year ended 31 December 2012.

In view of the available banking facilities and taking into account of the proceeds from disposal of an investment property, the directors of the Company believe that the Group will have adequate financial resources for its working capital requirement for the ensuing year, 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. Should the Company 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 and to reclassify non-current assets as current assets. 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 standards, amendments and interpretations (“new and revised HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

Amendments to HKFRSs	Improvements to HKFRSs issued in 2010
Amendments to HKFRS 1	Limited Exemptions from Comparative HKFRS 7 Disclosures for First-time Adopters
Hong Kong Accounting Standards (“HKAS”) 24 (as revised in 2009)	Related Party Disclosures
Amendments to HKAS 32	Classification of Rights Issues
Amendments to HK (International Financial Reporting Interpretation Committee) (“IFRIC”) – Interpretation (“Int”) 14	Prepayments of a Minimum Funding Requirement
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments

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

In addition, the Group has adopted the following amendments to HKFRSs in advance of the respective effective date for the first time for the current year’s financial statements.

Amendments to HKAS 12	Deferred Tax: Recovery of Underlying Assets
Amendments to HKAS 1	Presentation of Financial Statements

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

Amendments to HKFRS 1	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters ¹
Amendments to HKFRSs	First-time Adoption of Hong Kong Financial Reporting Standards – Government loans ⁴
Amendments to HKFRS 7	Annual improvements 2009 – 2011 Cycle, except for the amendments to HKAS ¹²
Amendments to HKFRS 7 and HKFRS 9	Disclosures – Transfers of Financial Assets ¹
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Disclosures – Offsetting Financial Assets and Financial Liabilities ⁴
Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011)	Mandatory Effective Date and Transition Disclosures ⁷
HKFRS 9	Consolidated Financial Statements, Joint Arrangements Disclosure of Interests in Other Entities: Transition Guidance ²
HKFRS 10	Investment Entities ⁵
HKFRS 11	Financial Instruments ⁷
	Consolidated Financial Statements ⁴
	Joint Arrangement ⁴

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSS”) (Cont’d)

HKFRS 12	Disclosures of Interests in Other Entities ⁴
HKFRS 13	Fair Value Measurement ⁴
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income ³
Amendments to HKAS 12	Deferred Tax: Recovery of Underlying Assets ²
HKAS 19 (as revised in 2011)	Employee Benefits ⁶
HKAS 27 (as revised in 2011)	Separate Financial Statements ⁴
HKAS 28 (as revised in 2011)	Investments in Associate and Joint Ventures ⁴
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities ⁵
Amendments to HKAS 36	Impairment of assets: Recoverable Amount Disclosures for Non-Financial Assets ⁵
Amendments to HKAS 39	Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting ⁵
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine ⁴
HK(IFRIC) – Int 21	Levies ⁵

- ¹ Effective for annual periods beginning on or after 1 July 2011.
² Effective for annual periods beginning on or after 1 January 2012.
³ Effective for annual periods beginning on or after 1 July 2012.
⁴ Effective for annual periods beginning on or after 1 January 2013.
⁵ Effective for annual periods beginning on or after 1 January 2014.
⁶ Effective for annual periods beginning on or after 1 July 2014.
⁷ Available for application.

4. REVENUE

Revenue represents the commission income received from agency sales transaction. An analysis of the Group’s revenue for the year is as follows:

	2011 <i>HK\$’000</i>	2010 <i>HK\$’000</i>
Continuing operation		
Commission income	<u>2,105</u>	<u>5,316</u>

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.

As further details in note 10, the manufacture and sales of automobile equipment and buses, trading of automobile spare parts and property leasing were discontinued in the current year. Following the discontinued operations, the Group is principally engaged in provision of agency service from general trading. Specifically, the Group’s reportable and operating segments are as follows:

(i) *Continuing operation*

Agency service – agency service from general trading

5. SEGMENT INFORMATION (Cont'd)

(ii) Discontinued operations

Automobile equipment	–	manufacture and sales of automobile equipment
Buses	–	manufacture and sales of buses
Automobile spare parts	–	trading of automobile spare parts
Property leasing	–	leasing of investment property

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 2011

	Continuing operation	Discontinued operations			Total HK\$'000	
	Agency service HK\$'000	Buses HK\$'000	Property leasing HK\$'000	Automobile equipment HK\$'000		Automobile spare parts HK\$'000
External sales	2,105	–	4,810	157,637	89,681	254,233
Inter-segment sales	–	–	–	–	85,524	85,524
Segment revenue	<u>2,105</u>	<u>–</u>	<u>4,810</u>	<u>157,637</u>	<u>175,205</u>	339,757
Eliminations						(85,524)
Group revenue						<u>254,233</u>
Segment profit	<u>1,859</u>	<u>–</u>	<u>4,810</u>	<u>2,993</u>	<u>6,714</u>	16,376
Unallocated corporate expenses						(17,721)
Unallocated other revenue						1,717
Loss on deconsolidation of subsidiaries						(205,297)
Impairment loss on amount due from an associate						(795)
Impairment loss on amounts due from former subsidiaries						(127,435)
Impairment loss on amount due from a related company						(64,572)
Impairment loss on prepayment for investments						(58,717)
Change in fair value of warrants						(20,110)
Change in fair value of an investment property						11,640
Changes in fair value of derivative financial instruments						23
Share of results of associates						(5,454)
Finance costs						(18,122)
Loss before taxation						<u>(488,467)</u>

5. SEGMENT INFORMATION (Cont'd)

Segment revenue and results (Cont'd)

For the year ended 31 December 2010 (Restated)

	Continuing operation	Discontinued operations			Total HK\$'000	
	Agency service HK\$'000	Buses HK\$'000	Property leasing HK\$'000	Automobile equipment HK\$'000		Automobile spare parts HK\$'000
External sales	5,316	75,467	10,098	219,236	231,284	541,401
Inter-segment sales	–	–	–	–	132,522	132,522
Segment revenue	<u>5,316</u>	<u>75,467</u>	<u>10,098</u>	<u>219,236</u>	<u>363,806</u>	673,923
Eliminations						(132,522)
Group revenue						<u>541,401</u>
Segment (loss) profit	<u>5,107</u>	<u>(11,700)</u>	<u>16,711</u>	<u>13,193</u>	<u>25,804</u>	49,115
Unallocated corporate expenses						(39,004)
Unallocated other revenue						4,700
Change in fair value of an investment property						6,940
Gain on disposal of a subsidiary						30,949
Share of results of associates						1,680
Finance costs						(31,956)
Profit before taxation						<u>22,424</u>

The accounting policies of the reportable segments are the same as the Group's accounting policies. Segment (loss) profit represents the loss from or profit earned by each segment without allocation of central administration costs, directors' salaries, share of results of associates, gain on disposal of trading investments, change in fair value of held for trading investments, impairment loss on prepayment for investments, impairment loss on amount due from an associate, impairment loss on amount due from a related company, impairment loss on amounts due from former subsidiaries, loss on deconsolidation of subsidiaries, gain on disposal of a subsidiary, change in fair value of warrants, change in fair value of derivative financial instruments, change in fair value of an investment property not held for leasing purpose, 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. SEGMENT INFORMATION (Cont'd)

Geographical information

The Group's revenue from external customers and information about its non-current assets (other than interests in associates, available-for-sale investments and prepayment for investments) by geographical location of the assets are detailed below:

	Revenue from external customers		Non-current assets	
	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
The PRC (country of domicile)	241,643	514,587	–	182,842
Europe	5,275	11,233	–	–
Asia other than the PRC	3,166	6,745	47,919	36,254
Others	4,149	8,836	–	–
	<u>254,233</u>	<u>541,401</u>	<u>47,919</u>	<u>219,096</u>

6. OTHER REVENUE AND GAIN OR LOSS

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i> (Restated)
Change in fair value of held for trading investments	(1,133)	131
Bank interest income	–	8
Investment income	285	141
Gain on disposal of held for trading investments	511	195
Investment income from derivative financial instruments	176	–
Dividend income from held for trading investments	98	–
Change in fair value of derivative financial instruments	23	–
Others	64	256
	<u>24</u>	<u>731</u>

7. FINANCE COSTS

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i> (Restated)
Interest on bank overdrafts, bank and other borrowings wholly repayable within five years	<u>424</u>	<u>535</u>

8. INCOME TAX EXPENSE

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i> (Restated)
Continuing operation		
Current tax:		
– PRC Enterprise Income Tax (“EIT”)	526	1,519
Deferred taxation:		
– Current year	156	–
	<u>682</u>	<u>1,519</u>

No provision for Hong Kong Profits Tax has been made as the Group does not have any assessable profits subject to Hong Kong Profits Tax for both years.

Under the Law of the EIT and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

The tax charge for the years can be reconciled to the loss before taxation per the consolidated income statement as follows:

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i> (Restated)
Continuing operation		
Loss before taxation	<u>(149,449)</u>	<u>(13,994)</u>
Tax at the domestic income tax rate of 25% (2010: 25%)	(37,362)	(3,499)
Tax effect of income not taxable for tax purpose	(2,910)	(1,735)
Tax effect of expenses not deductible for tax purpose	24,574	6,885
Tax effect of tax loss not recognised	140	–
Tax effect of temporary deductible difference not recognised	16,320	60
Utilisation of tax losses previously not recognised	–	(71)
Effect of different tax rate of subsidiaries	(80)	(121)
	<u>(80)</u>	<u>(121)</u>
Tax charge for the year	<u>682</u>	<u>1,519</u>

9. LOSS FOR THE YEAR FROM CONTINUING OPERATION

Loss for the year from continuing operation has been arrived at after charging:

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i> (Restated)
Staff costs (excluding directors' emoluments)		
– Salaries and wages	2,001	1,482
– Equity-settled share-based payment	–	5,054
– Retirement benefits scheme contributions	69	55
	<hr/>	<hr/>
Total staff costs	2,070	6,591
	<hr/> <hr/>	<hr/> <hr/>
Auditor's remuneration	1,400	1,927
Impairment of other receivables	438	–
Net foreign exchange losses	18	177
Equity-settled share-based payment for administrative fee of equity line facility	2,750	–
Depreciation on property, plant and equipment	23	22
	<hr/> <hr/>	<hr/> <hr/>

10. DISCONTINUED OPERATIONS

As the PRC Subsidiaries carried out all of manufacturing and sales of automobile equipment and buses, trading of automobile spare parts and property leasing of the Group, these business segments are presented as discontinued operations in accordance with HKFRS 5.

The (loss) profit for the year from discontinued operations is analysed as follows:

	1/1/2011- 31/8/2011 <i>HK\$'000</i>	Year ended 31/12/2010 <i>HK\$'000</i>
(Loss) profit from discontinued operations for the period/year	(8,710)	30,144
Loss on deconsolidation of subsidiaries	(205,297)	–
Impairment loss on amounts due from former subsidiaries	(127,435)	–
	<hr/>	<hr/>
	(341,442)	30,144
	<hr/> <hr/>	<hr/> <hr/>

10. DISCONTINUED OPERATIONS (Cont'd)

The results of the discontinued operations for the period from 1 January 2011 to 31 August 2011 included in the consolidated income statement are set out as follows. The comparative figures has been restated to re-present the manufacturing and sales of automobile equipment and buses, trading of automobile spare parts and property leasing as a discontinued operation.

	1/1/2011- 31/8/2011 HK\$'000	Year ended 31/12/2010 HK\$'000
Turnover	252,128	536,085
Cost of sales	(207,821)	(456,885)
Other revenue	5,224	13,922
Selling and distribution expenses	(12,733)	(22,533)
Administrative expenses	(19,807)	(48,985)
Reversal of impairment loss on trade receivables	–	12,874
Impairment loss on other receivables	–	(1,712)
Gain on disposal of a subsidiary	–	30,949
Changes in fair value of investment properties	–	7,824
Other operating expenses	(125)	(5,380)
Share of results of associates	(5,454)	1,680
Finance costs	(17,698)	(31,421)
	<hr/>	<hr/>
(Loss) profit before taxation	(6,286)	36,418
Income tax expense	(2,424)	(6,274)
	<hr/>	<hr/>
(Loss) profit for the period/year	<u>(8,710)</u>	<u>30,144</u>

10. DISCONTINUED OPERATIONS (Cont'd)

(Loss) profit for the period/year from discontinued operations includes the following:

	1/1/2011- 31/8/2011 <i>HK\$'000</i>	Year ended 31/12/2010 <i>HK\$'000</i>
Staff costs (excluding directors' emoluments)		
– Salaries and wages	13,332	26,664
– Retirement benefits scheme contributions	1,741	3,589
	<hr/>	<hr/>
Total staff costs	15,073	30,253
	<hr/> <hr/>	<hr/> <hr/>
Amortisation on prepaid lease payments	111	1,141
Impairment loss on inventories (included in cost of sales)	–	1,965
Net foreign exchange losses	–	598
Cost of inventories recognised as an expense	207,821	454,920
Depreciation on property, plant and equipment	4,826	9,492
Gain on disposal of property, plant and equipment	–	(880)
Minimum lease payments under operating lease charges	537	1,264
Interest income	(2,005)	(3,613)
Waiver of trade payables	–	(34)
Waiver of other payables and accruals	–	(1,371)
Government grants (<i>Note</i>)	–	(753)
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Note: Pursuant to the notices issued by the relevant government authorities, a PRC subsidiary of the Company was entitled to enjoy subsidies on interest paid from bank borrowing for business development for the year ended 31 December 2010.

Net cash (outflows) inflows on discontinued operations are as follows:

	1/1/2011- 31/8/2011 <i>HK\$'000</i>	Year ended 31/12/2010 <i>HK\$'000</i>
Operating activities	75,874	241,989
Investing activities	(53,179)	(69,061)
Financing activities	(62,431)	56,637
	<hr/>	<hr/>
	(39,736)	229,565
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The results and cash flows of the PRC subsidiaries for the period from 1 January 2011 to 31 August 2011 was based on the financial information up to 30 June 2011 (date of latest financial information available).

11. DIVIDENDS

No dividend was paid or proposed during the year ended 31 December 2011, nor has any dividend been proposed since the end of the reporting period (2010: nil).

12. (LOSS) EARNINGS PER SHARE

From continuing operation

The calculation of the basic and diluted (loss) earnings per share from continuing operation attributable to owners of the Company are based on the following data:

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i> (Restated)
(Loss) earnings		
(Loss) profit for the year attributable to owners of the Company	(491,242)	23,535
Less: (Loss) profit for the year from discontinued operations	(341,111)	39,048
Loss for the purpose of basic and diluted loss per share from continuing operation	<u>(150,131)</u>	<u>(15,513)</u>

The calculation of the basic and diluted loss per share attributable to owners of the Company is based on the loss for the year attributable to owners of the Company of approximately HK\$491,242,000 (2010: earnings for the year HK\$23,535,000) and the following data:

	2011 <i>'000</i>	2010 <i>'000</i>
Number of shares		
Weighted average number of ordinary shares for the purposes of basic (loss) earnings per share	1,084,574	1,047,421
Effect of dilutive potential ordinary shares for share options	N/A	9,871
Weighted average number of ordinary shares for the purposes of diluted (loss) earnings per share	<u>1,084,574</u>	<u>1,057,292</u>

From discontinued operations

For the year ended 31 December 2011, basic and diluted loss per share for the discontinued operations are HK31.45 cents per share (2010: HK3.73 cents earnings per share) and HK31.45 cents per share (2010: HK3.69 cents earnings per share) respectively, based on the loss for the year from the discontinued operations of approximately HK\$341,111,000 (2010: profit of approximately HK\$39,048,000) and the denominator used is the same as detailed above in number of shares for both basic and diluted loss per share (2010: denominator of 1,057,292,000 shares is used for the calculation of diluted earnings per share).

The computation of diluted (loss) earnings per share does not assume the exercise of certain of the Company's outstanding share options and warrants as the exercise prices of those options and warrants are higher than the average market price for shares during the year ended 31 December 2011 before the suspension of trading in shares on the Stock Exchange in September 2011 and during the year ended 31 December 2010.

13. TRADE RECEIVABLES

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Trade receivables	–	160,108
Less: Impairment loss recognised	–	(98,255)
	<hr/>	<hr/>
	–	61,853
	<hr/> <hr/>	<hr/> <hr/>

The Group allows average credit period ranging of 30 to 180 days to its trade customers. The following is an aged analysis of trade receivables net of impairment loss on trade receivables presented based on the invoice date at the end of the reporting period.

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
0 to 180 days	–	48,019
181 to 365 days	–	13,834
	<hr/>	<hr/>
Total	–	61,853
	<hr/> <hr/>	<hr/> <hr/>

14. TRADE AND BILLS PAYABLES

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

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
0 to 180 days	–	105,742
181 to 365 days	–	13,636
1 to 2 years	–	10,585
Over 2 years	–	9,447
	<hr/>	<hr/>
	–	139,410
Bills payables	–	175,669
	<hr/>	<hr/>
	–	315,079
	<hr/> <hr/>	<hr/> <hr/>

At 31 December 2010, the average credit period on purchases of goods ranges from one to six months. The Group had 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 2011

The Company's auditor has qualified the report on the Group's consolidated financial statements for the year ended 31 December 2011, an extract of which is as follows:

BASIS OF DISCLAIMER OF OPINION

During the course of our audit of the Group's consolidated financial statements for the year ended 31 December 2011, we encountered significant scope limitations in respect of various areas as set out below:

(1) Deconsolidation of certain subsidiaries and relevant disclosures

As stated in the consolidated financial statements, the existing directors of the Company are 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" and "Associates") 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 Associates and accordingly the control over the PRC Subsidiaries and Associates was lost on that date. The PRC Subsidiaries and Associates have therefore been deconsolidated from the consolidated financial statements of the Group and classified as available-for-sale investments from 1 September 2011 onwards. As a result, the Group recorded loss for the year from discontinued operations and cash flows relating to the PRC Subsidiaries based on their unaudited financial information for the period from 1 January 2011 to 30 June 2011, which were the latest management accounts available to the existing directors of the Company. Due to lack of the complete set of accounting books and records of the PRC Subsidiaries and Associates, we are unable to carry out audit procedures to obtain sufficient reliable audit evidence to satisfy ourselves as to the completeness of all transactions undertaken by the PRC Subsidiaries and Associates and, whether the loss for the year from discontinued operations, in relation to the PRC Subsidiaries of approximately HK\$8,710,000 disclosed in the consolidated income statement, consolidated statement of cash flows and the related disclosures to the consolidated financial statements are free from material misstatements. Accordingly, we are 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. Meanwhile, we are also 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 2011.

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 were recognised respectively. Subsequently, during the year ended 31 December 2011, impairment loss for both available-for-sale investments and amounts due from the PRC Subsidiaries of approximately HK\$205,297,000 and HK\$127,435,000 were also recognised respectively. As a result of the circumstances described above, we are 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 abovementioned amounts are free from material misstatements.

Related party transactions and balances

No disclosure of related party transactions has been made in the consolidated financial statements. We are unable to carrying out audit procedures to satisfy ourselves as to the completeness of the disclosures of related party transactions and balances for the year ended 31 December 2011 as required by HKAS 24 (Revised) “Related Party Disclosures”.

(2) *Disposal of an associate*

As stated in the consolidated financial statements, Yancheng Zhongwei Bus Manufacturing Co., Ltd (“Zhongwei Bus”), an associate of 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. As further detailed in (1) above, 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 and disclosed in the consolidated income statement.

No sufficient evidence could be obtained by us up to the date of this report to verify the financial information of Zhongwei Bus. Accordingly, we are unable to satisfy ourselves that the gain or loss on disposal of an associate, the Group’s share of profit or loss of Zhongwei Bus during the year ended 31 December 2011 and the related disclosures included in the consolidated financial statements were free from material misstatements.

(3) *Amounts due to directors and directors’ emoluments*

We are unable to obtain direct audit confirmations in respect of amounts due to certain directors of approximately HK\$7,801,000, amounts due to former directors of approximately HK\$1,288,000 included in other payables and accruals and emoluments of respective directors and no sufficient evidence has been provided to satisfy ourselves as to the completeness, existence and accuracy of the aforesaid balances as at 31 December 2011 and the amount for the year then ended. There were no practical alternative audit procedures that we could perform to satisfy ourselves as to whether the aforesaid balances and respective effects to the employee’s emoluments disclosure were free from material misstatements as at 31 December 2011 and the accuracy of the amount of directors’ emoluments for the year then ended.

(4) Amounts due from a related company

As stated in the consolidated financial statements, included in amounts due from related companies as at 31 December 2011 was an amount due from Yancheng Zhongda International Trading Limited of approximately HK\$64,572,000. Impairment loss of approximately HK\$64,572,000 was recognised during the year ended 31 December 2011.

We are unable to obtain direct audit confirmation in respect of the amount due from a related company and no sufficient evidence has been provided to satisfy ourselves as to the completeness, existence, accuracy and valuation of the aforesaid balance as at 31 December 2011 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 2011 was free from material misstatements.

(5) Impairment assessment on prepayment for investments

As stated in the consolidated financial statements, the Group had prepayment for investments of approximately HK\$59,996,000, before net of accumulated impairment losses as at 31 December 2011. Impairment loss of approximately HK\$58,717,000 was recognised during the year ended 31 December 2011. We are unable to obtain direct audit confirmations in respect of such prepayment for investments and have not been provided with sufficient evidence to satisfy ourselves as to the validity, completeness and recoverability of the aforesaid prepayment for investments and as to whether the impairment loss recognised in respect of the prepayment for investments determined by the directors of the Company against the carrying amount of the prepayment 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 2011 was free from material misstatements.

Any adjustments that are found necessary in relation to the matters described in (1) to (5) above might have a significant consequential effect on the Group's net assets as at 31 December 2011 and results, equity and cash flows for the year ended 31 December 2011 and the related disclosures thereof in the consolidated financial statements for the year ended 31 December 2011.

DISCLAIMER OF OPINION

Because of the significance of the matters described in the Basis of disclaimer of opinion paragraphs, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the consolidated financial statements. In all other aspects, in our opinion the consolidated financial statements have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

During the financial year ended 31 December 2011 (“FY2011”), the Group is principally engaged in international trading business.

During FY2011, the Group recorded a turnover from trading business of approximately HK\$2.1 million, representing a decrease of approximately 60% from the turnover recorded for the financial year ended 31 December 2010 (“FY2010”) of approximately HK\$5.3 million. The loss attributable to owners of the Group was approximately HK\$491 million for FY2011, as compared to a gain of approximately HK\$24 million for FY2010.

The decrease in turnover is mainly due to the deconsolidation of the results of operations of certain subsidiaries, whereas the net loss for FY2011 was mainly attributable to the recognition of impairment loss in respect of investments and amounts due from the said deconsolidated subsidiaries.

Liquidity And Financial Resources

As at 31 December 2011, bank balances and cash of the Group were approximately HK\$8 million (FY2010: HK\$266 million).

The Group’s net gearing ratio (measured as “Total bank debts – Cash available/Total Net Worth”) as at 31 December 2011 was 55% (FY2010: Nil).

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 2011.

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 2011.

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

Trading in the securities of the Company has been suspended since 5 September 2011 and the directors of the Company are of the opinion that since the date of suspension in trading of the Company's securities, the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules may prima facie not applicable.

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 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, 16 April 2014

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 respectively.

* *for identification purpose only*