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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 2014

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 2014 together with the comparative figures for the corresponding period of 2013:

#### CONDENSED CONSOLIDATED STATEMENT PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2014

		For the six months ended 30 June	
		2014	2013
	Note	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
<b>Revenue</b>	5	11,274	10,448
Cost of sales		(10,832)	(9,867)
<b>Gross profit</b>		442	581
Administrative expenses		(4,211)	(5,146)
Other revenue and gain or loss		(131)	(56)
Change in fair value of warrants		–	8
Finance costs	6	(139)	(4)
<b>Loss before taxation</b>	7	(4,039)	(4,617)
Income tax expense	8	–	–
<b>Loss for the period</b>		<u>(4,039)</u>	<u>(4,617)</u>
<b>Loss and total comprehensive expense for the period attributable to owners of the Company</b>		<u>(4,039)</u>	<u>(4,617)</u>
<b>Loss per share</b>	10		
– Basic and diluted (HK cents per share)		<u>(0.37)</u>	<u>(0.42)</u>

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2014

	<i>Note</i>	30 June 2014 <i>HK\$'000</i> (Unaudited)	31 December 2013 <i>HK\$'000</i> (Audited)
<b>Non-current assets</b>			
Plant and equipment		362	4
Interests in associates		–	–
Prepayment for investments		–	–
Available-for-sale investments		–	–
		<u>362</u>	<u>4</u>
<b>Current assets</b>			
Trade receivables	11	21,999	16,121
Amount due from a related company		–	–
Amount due from an associate		3	–
Amounts due from former subsidiaries		–	–
Held for trading investments		3,672	3,820
Prepayments and other receivables		9,999	10,490
Bank balances and cash		2,954	9,615
		<u>38,627</u>	<u>40,046</u>
<b>Current liabilities</b>			
Other payables and accruals		16,663	10,944
Amounts due to directors		–	6,291
Tax payable		13,689	13,689
Other borrowings		3,550	–
		<u>33,902</u>	<u>30,924</u>
<b>Net current assets</b>		<u>4,725</u>	<u>9,122</u>
<b>Total assets less current liabilities</b>		<u><u>5,087</u></u>	<u><u>9,126</u></u>
<b>Capital and reserves</b>			
Share capital		108,726	108,726
Reserves		(103,639)	(99,600)
<b>Equity attributable to owners of the Company</b>		<u><u>5,087</u></u>	<u><u>9,126</u></u>

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 agency service, information technology (“IT”) service and international trading 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 have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) and with the Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

### **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\$4,039,000 for the six months ended 30 June 2014 and accumulated losses of approximately HK\$404,157,000 as at 30 June 2014.

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

- the timing of collection of the trade receivable and realisation of the prepayment, with an aggregated amount of approximately HK\$23,457,000;
- the availability of credit facilities readily to the Group, and
- the ability to generate adequate cash flows to maintain its operations.

Accordingly, the directors of the Company are of the opinion that it is appropriate to prepare the condensed consolidated financial statements on a going concern basis. Should the Group be unable to continue to operate as a going concern, adjustments would have to be made to write down the value of assets to their recoverable amounts and to provide for further liabilities which might arise. The effect of these adjustments has not been reflected in the condensed consolidated financial statements.

### 3. PRINCIPLE ACCOUNTING POLICIES

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

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2014 are the same as those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2013.

In the current interim period, the Group has applied, for the first time, the following new or revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that are relevant for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting
HK(IFRIC)*-Int 21	Levies

\* HK(IFRIC) represents the Hong Kong (International Financial Reporting Interpretations Committee).

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 interpretation and amendments to HKFRSs in the current interim period has had no material impact on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

### 4. SEGMENT INFORMATION

Information reported to the board of directors of the Company, being the chief operating decision makers, 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 agency service, IT service and international trading business. Specifically, the Group's reportable and operating segments are as follows:

Agency service	–	agency service for trading
IT service	–	provide IT service
International trading	–	trading of machine, fibers, IT products, etc.

#### 4. SEGMENT INFORMATION (Cont'd)

##### 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 2014 (unaudited)*

	IT Service HK\$'000	Agency service HK\$'000	International trading HK\$'000	Total HK\$'000
Revenue	800	–	10,474	11,274
Segment profit	38	–	404	442
Unallocated corporate expenses				(4,211)
Unallocated other revenue				(131)
Finance costs				(139)
Loss before taxation				(4,039)

*For the six months ended 30 June 2013 (unaudited)*

	IT Service HK\$'000	Agency service HK\$'000	International trading HK\$'000	Total HK\$'000
Revenue	–	–	10,448	10,448
Segment(loss) profit	–	(2)	489	487
Unallocated corporate expenses				(5,052)
Unallocated other revenue				111
Change in fair value of warrants				8
Changes in fair value of derivative financial instruments				(167)
Finance costs				(4)
Loss before taxation				(4,617)

There are no allocated segment assets for the segments of IT service, agency service and international trading as at 30 June 2014 and 31 December 2013.

## 5. REVENUE

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

	For the six months ended 30 June	
	2014 <i>HK\$'000</i> (Unaudited)	2013 <i>HK\$'000</i> (Unaudited)
Revenue for projects	800	–
Trading of goods	10,474	10,448
	<u>11,274</u>	<u>10,448</u>

## 6. FINANCE COSTS

	For the six months ended 30 June	
	2014 <i>HK\$'000</i> (Unaudited)	2013 <i>HK\$'000</i> (Unaudited)
Interest on other borrowings wholly repayable within five years	139	4

## 7. LOSS BEFORE TAXATION

Loss before taxation has been arrived at after charging:

	For the six months ended 30 June	
	2014 <i>HK\$'000</i> (Unaudited)	2013 <i>HK\$'000</i> (Unaudited)
Net foreign exchange losses	53	–

## 8. INCOME TAX EXPENSE

No provision for Hong Kong Profits Tax has been made for the six months ended 30 June 2014 and 2013 as the Group does not have any assessable profits subject to Hong Kong Profits Tax for the periods.

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

## 9. DIVIDENDS

No dividends were paid, declared or proposed during the reporting period. The directors do not recommend the payment of an interim dividend (2013: 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:

	<b>For the six months ended 30 June</b>	
	<b>2014</b>	<b>2013</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Loss for the purpose of basic and diluted loss per share	<b>4,039</b>	<b>4,617</b>

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\$4,039,000 (2013: HK\$4,617,000) and the following data:

	<b>2014</b>	<b>2013</b>
	<b>'000</b>	<b>'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Number of shares		
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	<b>1,087,258</b>	<b>1,087,258</b>

## 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.

	<b>30 June</b>	<b>31 December</b>
	<b>2014</b>	<b>2013</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
Within 30 days	<b>5,133</b>	428
More than 90 days but within 240 days	<b>16,866</b>	15,693
	<b>21,999</b>	16,121

## MANAGEMENT DISCUSSION AND ANALYSIS

### Overview

The Group is principally engaged in agency service, information technology business and international trading business during the period. The Group recorded a turnover of approximately HK\$11 million during the period under review.

During the Year 2011, Mr. Xu Lian Guo (the “Suspended Director”) and Mr. Xu Lian Kuan (the “Former Director”), together as the subject directors (the “Subject 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 Company’s PRC subsidiaries’ (the “PRC Subsidiaries”) financial statements (the “Event”).

With the Hong Kong High Court Judgement and Order (the “Court Order”) issued in May 2013, the Subject Directors were required to make available the financial statements (as well as the company records, chops and seals) of the PRC Subsidiaries. Yet, they failed to comply with the Court Order up till today. 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 accounting firms to follow up with the subject 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. This adverse effect rolled into Year 2012 and first half year of 2013 until there came the Court Order.

With the failure of the subject Directors to comply with the Court Order, it is with more certainty that the Company has to deconsolidate the results of the PRC Subsidiaries. With the results of the Group to be released in due course, the management would have a better position to negotiate with customers and vendors on a longer term basis. As a result, the operations of the Group start to regain its momentum and recorded a turnover during the period.

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 and sourcing activities. The products so traded through Hong Kong operations have been sourced by the Company's subsidiaries or associates and from third party suppliers outside Hong Kong. The products sourced by Hong Kong operations have been resold through the PRC operations to the domestic PRC markets or through third party vendors to markets outside Hong Kong. The management will continuously spending its effort to expand and further develop the existing international trading business platform. The Group will continuously look for potential business partners and/or customers for trading of other products and commodities in the context of related diversification.

For the information technology business which has been grouped previously under the Property Investment business segment, the Company will continue developing and expanding its system integration and project management business. The Company has entered into a contract with a South America Company to provide project management and support service to their customer for their telecom value-added service in the PRC. The Company is performing the integration and is preparing for the launching of the services. It is expected that the provision of such services will commence in the first quarter of Year 2015.

## **Financial Review and Liquidity**

### *Gross Margin*

The Group recorded a gross profit of approximately HK\$0.4 million for the period. The gross profit margin of the period decreased from 5.6% to 3.9% when compared in last interim period. The decrease in margin was due to increase in competition in trading business.

### *Net Loss*

The Group has recorded a net loss of approximately HK\$4.0 million in current interim period when compared with a net loss of approximately HK\$4.6 million in last interim period. The decrease was mainly due to the reduction of rental expenses and professional fee. Basic loss per share for the period was approximately HK\$0.37cents.

### *Liquidity*

As at 30 June 2014, bank balances and cash of the Group were approximately HK\$3.0 million (31 December 2013: HK\$9.6 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 1.1x during the year was considered as acceptable. Regarding the current assets, approximately 8% were cash and bank deposit. The level was considered as acceptable.

## *Leverage*

Net gearing ratio of the Group (measured as (Total debts – Cash available)/Total Net Worth) was 0.12x in the period (31 December 2013: Nil) which was considered as low. The Group will take effort to retain its leverage at a satisfactory level.

## **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 2014.

## **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 2014.

## **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 the Suspended Director) have confirmed compliance with the required standard set out in the Code of Conduct throughout the six months ended 30 June 2014.

Whilst the Suspended Director 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 2014 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 November 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.*

\* for identification purpose only