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ZHONGTIAN INTERNATIONAL LIMITED

中天國際控股有限公司*

(incorporated in the Cayman Islands with limited liability)

(Stock code: 02379)

2014 INTERIM RESULT ANNOUNCEMENT

The board (the “Board”) of directors (the “Directors”) of Zhongtian International Limited (the “Company”, together with its subsidiaries, the “Group”) are pleased to present the Group’s unaudited consolidated results for the six months ended 30 June 2014 (the “Reporting Period”), together with the comparative figures for the corresponding period in 2013 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2014

		Unaudited	
		Six months ended 30 June	
	Notes	2014	2013
		RMB’000	RMB’000
Turnover	2	4,792	1,696
Cost of sales		<u>(3,965)</u>	<u>(1,197)</u>
Gross profit		827	499
Other operating income	3	2	203
General and administrative expenses		<u>(2,313)</u>	<u>(2,155)</u>
Loss before income tax	4	(1,484)	(1,453)
Income tax	5	<u>–</u>	<u>–</u>
Loss for the period		(1,484)	(1,453)
Attributable to:			
Equity holders of the Company		<u>(1,484)</u>	<u>(1,453)</u>
Total comprehensive loss for the period		<u>(1,484)</u>	<u>(1,453)</u>
Attributable to:			
Equity holders of the Company		<u>(1,484)</u>	<u>(1,453)</u>
Loss per share (RMB Cents)			
– Basic	7	<u>(0.68)</u>	<u>(0.67)</u>
– Diluted		<u>(0.68)</u>	<u>(0.67)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION*As at 30 June 2014*

		Unaudited 30 June 2014 RMB'000	Audited 31 December 2013 RMB'000
	<i>Notes</i>		
NON-CURRENT ASSETS			
Fixed assets		8,795	8,893
Investment properties	8	44,500	44,500
		53,295	53,393
CURRENT ASSETS			
Trade and other receivables	9	15,000	10,617
Cash and bank balances		51,551	50,319
		66,551	60,936
CURRENT LIABILITIES			
Trade and other payables	10	14,319	9,121
Amounts due to Directors		3,265	1,462
Income tax payable		1,371	1,371
		18,955	11,954
NET CURRENT ASSETS		47,596	48,982
TOTAL ASSETS LESS CURRENT LIABILITIES		100,891	102,375
NON-CURRENT LIABILITIES			
Deferred tax liabilities		9,616	9,616
NET ASSETS		91,275	92,759
CAPITAL AND RESERVES			
Share capital	11	2,073	2,073
Reserves		89,202	90,686
TOTAL EQUITY		91,275	92,759

NOTES TO CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

1. BASIS OF PREPARATION

These unaudited interim condensed consolidated financial statements of the Company and its subsidiaries (collectively referred to as the “Group”) have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The preparation of the unaudited interim condensed consolidated financial statements in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

The unaudited interim condensed consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2013.

Significant accounting policies

The accounting policies adopted in the preparation of the unaudited interim 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 2013, except for the adoption of the following new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, HKASs and Interpretations) and amendments to HKFRSs issued by the HKICPA for the first time for the current period’s unaudited interim condensed consolidated financial statements:

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

The application of the new and revised HKFRSs had no effect on the condensed consolidated financial statements of the Group for the current and prior accounting periods.

The Group has not early applied the new and revised standards, amendments or interpretations that have been issued but are not yet effective for the accounting period of these financial statements.

2. TURNOVER AND SEGMENT INFORMATION

(a) Turnover

The Group's turnover represents external customers' income earned from the sale of information technology products and property rental income.

(b) Business segments

During the Reporting Period, the Group was principally engaged in two major business segments, which were information technology and property investment.

(i) Information technology – sale of intelligent electronic products

(ii) Property investment

Business segments for the period are as follows:

	Unaudited	
	Six months ended 30 June	
	2014	2013
	<i>RMB'000</i>	<i>RMB'000</i>
Turnover		
Information technology	4,163	1,282
Property investment	629	414
	<u>4,792</u>	<u>1,696</u>
Segment results		
Information technology	198	85
Property investment	629	414
	<u>827</u>	<u>499</u>
Unallocated other operating income	2	203
Unallocated corporate expenses	(2,313)	(2,155)
	<u>(1,484)</u>	<u>(1,453)</u>
Loss before income tax		
Income Tax	–	–
Loss for the period	<u>(1,484)</u>	<u>(1,453)</u>

(c) **Geographical segments**

No geographical segments information of the Group is shown as the Group's operations, sales by geographical market are located in the People's Republic of China (the "PRC").

3. OTHER OPERATING INCOME

	Unaudited	
	Six months ended 30 June	
	2014	2013
	<i>RMB'000</i>	<i>RMB'000</i>
Interest income on bank deposits	<u>2</u>	<u>203</u>

4. LOSS BEFORE INCOME TAX

Loss before income tax has been arrived at after charging:

	Unaudited	
	Six months ended 30 June	
	2014	2013
	<i>RMB'000</i>	<i>RMB'000</i>
Cost of inventories sold	3,965	1,197
Depreciation of property, plant and equipment	<u>98</u>	<u>303</u>

5. INCOME TAX

No provision for Hong Kong Profits Tax is made as the Group has no assessable profit for both periods.

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands and the British Virgin Islands.

Pursuant to the income tax rules and regulations of the PRC, the applicable PRC Enterprise Income Tax of the Group's subsidiaries is 25% (2013: 25%).

6. DIVIDENDS

The Directors do not recommend the payment of any interim dividend for the six months ended 30 June 2014 (six months ended 30 June 2013: Nil).

7. LOSS PER SHARE

The calculation of basic loss per share of the Company (the “Share(s)”) is based on the loss attributable to equity holders of the Company for the six months ended 30 June 2014 of approximately RMB1,484,000 (six months ended 30 June 2013: loss of approximately RMB1,453,000) and weighted average number of ordinary Shares in issue during the six months ended 30 June 2014 of 217,029,122 (six months ended 30 June 2013: 217,029,122).

There were no dilutive potential Shares for the six months period ended 30 June 2014 and 30 June 2013, and diluted loss per Share is the same as basic loss per share.

8. INVESTMENT PROPERTIES

	Unaudited 30 June 2014 RMB'000	Audited 31 December 2013 <i>RMB'000</i>
Investment properties, at fair value	44,500	44,500

The investment properties are located in Qingdao, the PRC. No fair value adjustment was considered necessary by the directors of the Company for the six month ended 30 June 2014.

9. TRADE AND OTHER RECEIVABLES

Trade and other receivables of RMB15,000,000 (31 December 2013: RMB10,617,000) include trade receivables of RMB14,829,000 (31 December 2013: RMB10,515,000).

The Group has a policy of allowing a credit period ranging from 90 to 180 days.

The aging analysis of trade receivables net of provision for impairment at the end of Reporting Period, based on payment due date, is as follows:

	Unaudited 30 June 2014 RMB'000	Audited 31 December 2013 <i>RMB'000</i>
0-30 days	4,976	6,265
31-60 days	105	250
61-90 days	105	3,600
91-180 days	314	–
181-365 days	9,329	133
Over 365 days	–	267
	14,829	10,515

10. TRADE AND OTHER PAYABLES

Trade and other payables of RMB14,319,000 (31 December 2013: RMB9,121,000) include trade payables of RMB10,726,000 (31 December 2013: RMB6,087,000).

The aging analysis of trade payables at the end of Reporting Period, based on payment due date, is as follows:

	Unaudited 30 June 2014 RMB'000	Audited 31 December 2013 RMB'000
0-30 days	4,639	2,587
31-60 days	-	-
61-90 days	-	-
91-180 days	-	-
181-365 days	2,587	3,500
Over 365 days	3,500	-
	<u>10,726</u>	<u>6,087</u>

11. SHARE CAPITAL

	Number of shares		Share capital	
	30 June 2014 '000	31 December 2013 '000	30 June 2014 HK\$'000	31 December 2013 HK\$'000
Authorised:				
Ordinary shares of HK\$0.01 each	<u>10,000,000</u>	<u>10,000,000</u>	<u>100,000</u>	<u>100,000</u>
Issued and fully paid:				
At 1 January 2014/2013 and at 30 June 2014/31 December 2013	<u>217,029</u>	<u>217,029</u>	<u>2,170</u>	<u>2,170</u>
Equivalent to RMB'000			<u>2,073</u>	<u>2,073</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

During the Reporting Period, the Group was principally engaged in two major business segments, namely, information technology and property investment.

Information Technology

After years of operation, the development and sales of intelligent electronic products began to generate revenue for the Group's business and became a business with fewer transformation obstructions within the Group's diversified operation policy. Attributed to the advantage of a relatively high output comparing with the relatively low investment, the Board believes that the sales of intelligent electronic products, which the Group attaches great importance, will have a steady and promising prospect for development. Meanwhile, as the competition in this business segment is keen and the overall costs for exploring new customers has increased, the Group is fully aware of the fact that this business segment cannot be the only source of income.

Property Investment

The commercial property rentals in Qingdao City, the PRC have continued its rising trend recently, and the property lease market keeps thriving. In the previous years, the Group has acquired quality properties with long term appreciation potential, and after renovation and rearrangement of their interior layouts, the properties have been leased out during the Reporting Period and generated rental incomes.

FINANCIAL REVIEW

Turnover and Gross Profit Margin

The Group's total turnover for the six months ended 30 June 2014 was approximately RMB4,792,000, representing a significant increase of approximately 183% from approximately RMB1,696,000 for the corresponding period ended 30 June 2013. This was mainly attributable to the growth in sales of intelligent electronic products in the segment of information technology. The gross profit margin decreased by 12% from 29% in 2013 to 17% in 2014. The major reason was mainly due to the decrease in proportional contribution from the property investment segment which has a relatively higher gross profit margin.

Distribution Costs

During the Reporting Period, the Group postponed all marketing activities due to the lack of large-scale tender projects. There is no distribution cost for the six months ended 30 June 2014 (30 June 2013: Nil).

General and Administrative Expenses

The Group's general and administrative expenses for the six months ended 30 June 2014 were approximately RMB2,313,000 (corresponding period ended 30 June 2013: approximately RMB2,155,000) representing an increase of approximately 7% over the corresponding period ended 30 June 2013. This was mainly attributable to the increase in staff cost.

Net Loss

During the Reporting Period, the Group recorded a net loss of approximately RMB1,484,000, which increased by approximately 2% as compared to the net loss of approximately RMB1,453,000 for the corresponding period ended 30 June 2013. The increase of net loss was mainly attributable to the decline in bank interest income and increase in staff cost relative to the corresponding period ended 30 June 2013.

BUSINESS REVIEW

Analysis by Business Segment

During the Reporting Period, the Group's principal source of income was derived from the sales of intelligent electronic products from the Group's information technology segment, which accounted for approximately 87% of the total turnover of the Group whereas the rental income from property investment segment accounted for approximately 13% respectively of the Group's total turnover.

During the Reporting Period, all of the Group's income was derived from Shandong Province, the PRC which accounted for 100% of the Group's total turnover.

FUTURE OUTLOOK

The Group will continue to focus on its development and sales of intelligent electronic products business, and will endeavour to consolidate its existing customers base as well as to fully explore its profit generation potential.

In the property investment segment, the Group's properties have been leased out and continue to generate rental income. The rental income is anticipated to increase steadily in the future.

Foreseeing a prosperous commercial estate industry in Mainland China in future and leveraging on its experience in leasing and managing commercial properties and the integrated operation team, the Group will seriously and continuously consider the possibility to invest in the operation and management of commercial properties for further development.

DEBTS

As at 30 June 2014, the Group had no debt securities that were issued, outstanding, approved or otherwise created but unissued. The Group also had no term loans or other borrowings or debts of borrowing nature, including bank overdrafts, acceptance liabilities or acceptance credits, obligations under financing lease or mortgages (30 June 2013: Nil).

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group's capital requirement represents mainly working capital in relation to the sales of information technology products, costs of business expansion and investment. The Group principally finances its operation and investment from operating income and internal resources.

As at 30 June 2014, the Group had cash and bank balances of approximately RMB51,551,000 (31 December 2013: approximately RMB50,319,000) of which 99.7% and 0.3% was held in RMB and HK\$ respectively. The gearing ratio (defined as total interest-bearing debts divided by shareholder's equity) was 0% (31 December 2013: 0%).

During the Reporting Period, the Group did not employ any material financial instrument for hedging purposes.

FOREIGN EXCHANGE

Since the Group mainly operates in the PRC and most of the revenue and transactions arising from its operations were settled in Renminbi, and the Group's assets and liabilities are primarily denominated in Renminbi, the Directors believe that the Group will have sufficient foreign exchange to meet its foreign exchange requirements. The Group has not experienced any material difficulties or effects on its operations or liquidity as a result of fluctuations in currency exchange rates and has not adopted any currency hedging policy or other hedging instruments during the Reporting Period.

MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES

During the Reporting Period, there was no material acquisition and disposal of subsidiaries and associated companies by the Company.

CHARGE ON ASSET AND CONTINGENT LIABILITIES

The Group had no material pledge of assets and contingent liabilities as at 30 June 2014 (31 December 2013: Nil).

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2014, the Group had 8 employees (30 June 2013: 7). Most of the Group's employees are based in the head office of the Group in Qingdao City of Shandong Province in the PRC.

The remuneration policy and package of the Group's employees are periodically reviewed. Apart from social insurance and in-house training programmes, discretionary bonuses and share options may be awarded to employees according to the assessment of individual performance.

The total remuneration cost incurred by the Group for the six months ended 30 June 2014 was approximately RMB299,000 (30 June 2013: approximately RMB195,000).

PURCHASE, SALE AND REDEMPTION OF THE COMPANY'S SECURITIES

During the Reporting Period, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

INTERIM DIVIDEND

The Directors do not recommend the payment of any interim dividend for the six months ended 30 June 2014 (six months ended 30 June 2013: Nil).

CORPORATE GOVERNANCE

The Company had complied with all the code provisions as set out in the Corporate Governance Code (the “Code”) contained in Appendix 14 to the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) during the Reporting Period.

CODE OF CONDUCT REGARDING DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Listing Rules as its code of conduct regarding securities transactions by the Directors. All Directors have confirmed, following a specific enquiry by the Company, that they have complied with the required standard as set out in the Model Code throughout the Reporting Period.

CHANGE OF PRINCIPAL PLACE OF BUSINESS IN HONG KONG

The principal place of business of the Company in Hong Kong has been changed to Suites 2001-2006, 20th Floor, Jardine House, 1 Connaught Place, Central, Hong Kong with effect from 10 June 2014. For further details, please refer to the announcement of the Company dated 10 June 2014.

EVENTS AFTER THE REPORTING PERIOD

There were no other significant events since the end of the Reporting Period.

AUDIT COMMITTEE

The audit committee of the Company (“Audit Committee”), comprising the three independent non-executive Directors, namely Mr. Chen Wen Ping (Chairman of the Audit Committee), Mr. Guo Qiang and Mr. Liu Jin Lu, has reviewed with management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of the interim results of the Company for the six months ended 30 June 2014 and this announcement.

By Order of the Board
ZHONGTIAN INTERNATIONAL LIMITED
中天國際控股有限公司*
Chen Jun
Chairman

Qingdao City, Shandong Province, the PRC, 24 July 2014

As at the date of this announcement, the Board comprises:

<i>Executive Directors:</i>	Mr. Chen Jun (<i>Chairman</i>) Mr. Zhao Yun
<i>Independent non-executive Directors:</i>	Mr. Chen Wen Ping Mr. Guo Qiang Mr. Liu Jin Lu

* for identification purposes only