ZHONGDA INTERNATIONAL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30TH JUNE, 2002

UNAUDITED INTERIM RESULTS

The board of directors (the "Directors") of Zhongda International Holdings Limited (the "Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30th June, 2002 together with the comparative figures for the corresponding period of 2001 as follows:

		Six months ended 30th June,	
		2002	**2001**
		(Unaudited)	**(Unaudited)**
	Note	*RMB'000*	*RMB'000*
Turnover	*3*	80,976	79,631
Cost of sales		(49,582)	(47,651)
Gross profit		31,394	31,980
Distribution costs		(11,378)	(9,510)
Administrative expenses		(18,140)	(8,400)
Other operating income, net		105	26
Profit from operations		1,981	14,096
Finance costs, net	*4*	(890)	(1,680)
Others, net		(342)	(137)
Profit before taxation and minority interests	*4*	749	12,279
Taxation	*5*	522	(505)
Profit before minority interests		1,271	11,774
Minority interests		(573)	(1,622)
Net profit for the period		698	10,152
Dividends	*6*	4,242	–
Earnings per share	*7*		
– Basic		RMB0.002	RMB0.032
– Diluted		RMB0.002	Not applicable

Notes:

1. **Reorganisation and basis of presentation**

The Company (formally known as Zhongda Hi-Tech Development Limited) was incorporated in Bermuda on 14th September, 2000 as an exempted company with limited liability under the Companies Act 1981 of Bermuda. Pursuant to a group reorganisation (the "Reorganisation") in connection with the listing of the Company's shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company became the ultimate holding company of the other companies comprising the Group on 8th October, 2001. The shares of the Company were listed on the Stock Exchange on 1st November, 2001.

The Group resulting from the Reorganisation have been regarded as a continuing group. Accordingly, the Reorganisation has been accounted for on the basis of merger accounting, under which the comparative condensed financial statements have been prepared as if the Company had been the holding company of the other companies comprising the Group throughout the year ended 31st December, 2001.

2. **Principal accounting policies**

The unaudited condensed interim financial statements are prepared under the historical cost convention, and in accordance with Statement of Standard Accounting Practice ("SSAP") 25 "Interim Financial Reporting" issued by the Hong Kong Society of Accountants ("HKSA").

The condensed interim financial statements should be read in conjunction with the 2001 annual financial statements.

The accounting policies and methods of computation used in the preparation of these condensed interim financial statements are consistent with those used in the annual financial statements for the year ended 31st December, 2001 except that the Group has changed certain of its accounting policies following its adoption of the following SSAPs issued by the HKSA which are effective for accounting periods commencing on or after 1st January, 2002:

SSAP 1 (revised)	:	Presentation of Financial Statements
SSAP 11 (revised)	:	Foreign Currency Translations
SSAP 15 (revised)	:	Cash Flow Statements
SSAP 25 (revised)	:	Interim Financial Reporting
SSAP 34	:	Employee Benefits

The effect of changes in accounting policies is not material to the current and prior periods.

3. **Turnover and segment information**

(a) *Turnover*

The principal activities of the Group are the development, manufacture and sale of automobile equipment. As the Group is engaged in a single business segment, no business segment information is presented.

(b) *Segment information*

The Group conducts the majority of its business activities in two geographical areas, the PRC and the USA. The geographic locations of the assets are the basis on which the Group reports its primary segment information.

An analysis by geographical locations of assets is as follows:

	PRC		USA		Unallocated		Total	
	Six months ended 30th June,		Six months ended 30th June,		Six months ended 30th June,		Six months ended 30th June,	
	2002	**2001**	**2002**	**2001**	**2002**	**2001**	**2002**	**2001**
	(Unaudited)	**(Unaudited)**	**(Unaudited)**	**(Unaudited)**	**(Unaudited)**	**(Unaudited)**	**(Unaudited)**	**(Unaudited)**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
REVENUE								
External sales	68,419	70,368	12,557	9,263	–	–	80,976	79,631
RESULT								
Segment result	5,328	13,476	332	827	–	–	5,660	14,303
Unallocated corporate expenses	–	–	–	–	(3,679)	(207)	(3,679)	(207)
Operating profit	5,328	13,476	332	827	(3,679)	(207)	1,981	14,096
Finance cost, net	(989)	(1,680)	–	–	99	–	(890)	(1,680)
Others, net	(335)	(133)	(6)	(4)	(1)	–	(342)	(137)
Taxation	729	(284)	(207)	(221)	–	–	522	(505)
Minority interests	(573)	(1,622)	–	–	–	–	(573)	(1,622)
Net profit (loss) for the period	4,160	9,757	119	602	(3,581)	(207)	698	10,152
OTHER INFORMATION								
Segment capital expenditure	27,040	29,421	143	285	–	–	27,183	29,706
Unallocated corporate capital expenditure	–	–	–	–	–	–	–	–
Total	27,040	29,421	143	285	–	–	27,183	29,706
Segment depreciation	1,588	951	66	36	–	–	1,654	987
Unallocated corporate depreciation	–	–	–	–	250	–	250	–
Total	1,588	951	66	36	250	–	1,904	987

	PRC		USA		Unallocated		Total	
	30th June 2002 (Unaudited) *RMB'000*	31st December 2001 (Note 8) *RMB'000*	30th June 2002 (Unaudited) *RMB'000*	31st December 2001 (Note 8) *RMB'000*	30th June 2002 (Unaudited) *RMB'000*	31st December 2001 (Note 8) *RMB'000*	30th June 2002 (Unaudited) *RMB'000*	31st December 2001 (Note 8) *RMB'000*
ASSETS								
Segment assets	208,335	198,331	12,297	13,410	–	–	220,632	211,741
Unallocated corporate assets	–	–	–	–	8,995	30,804	8,995	30,804
Total	208,335	198,331	12,297	13,410	8,995	30,804	229,627	242,545
LIABILITIES								
Segment liabilities	74,076	84,093	2,501	2,684	–	–	76,577	86,777
Unallocated corporate liabilities	–	–	–	–	767	495	767	495
Total	74,076	84,093	2,501	2,684	767	495	77,344	87,272
MINORITY INTERESTS	14,042	13,469	–	–	–	–	14,042	13,469

4. Profit before taxation and minority interests

Profit before taxation and minority interests is determined after crediting and charging the following:

	Six months ended 30th June, 2002 (Unaudited) *RMB'000*	2001 (Unaudited) *RMB'000*
Crediting:		
Interest income on bank deposits	258	30
Reversal of provision for inventory obsolescence	–	176
Charging:		
Depreciation on owned assets	1,904	987
Interest expense on bank borrowings repayable within five years	1,148	1,710
Loss on disposal of property, plant and equipment	284	–
Provision for inventory obsolescence	487	–
Provision for doubtful debts	5,830	2,798
Staff costs	9,977	6,347
Auditors' remuneration	524	–

5. Taxation

	Six months ended 30th June, 2002 (Unaudited) RMB'000	2001 (Unaudited) RMB'000
Current income taxes		
– Hong Kong profits tax *(Note (a))*	–	–
– PRC income taxes *(Note (b))*	360	944
– USA income taxes *(Note (c))*	207	221
Deferred tax income		
– PRC income taxes	(1,089)	(660)
	(522)	505

(a) No Hong Kong profits tax has been provided, as the Group had no assessable profits in Hong Kong during the period.

(b) The PRC income tax represents enterprise income tax ("EIT") charges on the taxable income reported in the statutory accounts of the companies of the Group established in the PRC.

Generally, companies established in the PRC are subject to EIT at 33 per cent. In accordance with relevant tax laws and regulations, the subsidiaries of the Group established in the PRC are subject to EIT at a rate of 24 per cent and are entitled to full exemption from EIT for the first two years and a 50 per cent reduction for the next three years, commencing from the first profitable year after offsetting available tax losses carried forward from the previous five years.

(c) The USA income taxes represent the federal income taxes that are provided on a graduated rate basis and state income taxes that are provided at a flat rate of 8.84 per cent on the taxable income of a subsidiary in USA.

6. Dividends

Pursuant to a resolution of shareholders dated 28th May, 2002, the Company distributed a cash dividend of HK$0.01 per share, amounting to HK$4,000,040 (equivalent to RMB4,242,000), for the year ended 31st December, 2001.

The Directors resolved not to pay an interim dividend for the six months ended 30th June, 2002 (six months ended 30th June, 2001: nil).

7. Earnings per share

The calculation of earnings per share was based on the consolidated net profit of RMB698,000 (six months ended 30th June, 2001: RMB10,152,000) and the weighted average number of 400,004,000 shares (six months ended 30th June, 2001: 320,000,000 deemed shares) in issue during the period.

The calculation of diluted earnings per share for the six months ended 30th June, 2002 was based on the consolidated net profit of RMB698,000 and the weighted average number of approximately 400,004,000 shares in issue during the period. For the purpose of calculating diluted earnings per share, the outstanding warrants were considered as potential ordinary shares, however, for the six months ended 30th June, 2002, the potential ordinary shares are anti-dilutive as their conversion to ordinary shares would increase earnings per share from continuing ordinary operations. Therefore, they are ignored in calculating diluted earnings per share. The diluted earnings per share for the six months ended 30th June, 2001 is not calculated because there was no potential dilutive shares.

8. Comparative figures

Certain comparative figures have been re-classified to confirm to the current period's presentation.

BUSINESS REVIEW

The first half of 2002 was a period of immense challenge to the Group's corporate development since its listing on the Stock Exchange in November 2001. Despite the prolonged world economic slowdown, especially after the 911 events in the US, the Group maintained stable performance in its largest market, the PRC, with increased sales to the US, being the Group's major overseas market. The Group's unaudited total turnover for the six months ended 30th June, 2002 was approximately RMB80,976,000, representing a modest increase from that of the same period last year. The Group managed to maintain its gross profit at RMB31,394,000 for the reported period.

In addition, the PRC's automobile industry began a series of market consolidation and restructuring after the country's accession to the WTO. Many small to medium sized domestic automobile repair and maintenance service providers, including some of the Group's clients were forced to wind up or underwent corporate restructuring. Accordingly, the Group's provision for bad debts was adversely affected by the market consolidation in the PRC.

The Group's continued strengthening of its market presence and the introduction of new product lines of higher profit margins resulted in substantial increase in operating overheads. As the new product lines were still in their initial launch stage and had yet to generate a profit during the period under review, the Group's net profit was thus affected.

The Group's active overseas marketing activities also led to a significant increase in marketing expenses. Moreover, the Group's listing on the Stock Exchange also involved additional relevant expenses and higher professional fees during the six-month period.

To maintain stable turnover and competitiveness, the Group continued to improve the quality and technical level of its products and to explore new business opportunities in the domestic and international markets. New models of lacquer rooms, such as computerised temperature controlled lacquer room, were being developed during the period, and continued improvement were made to the fully automated computerised car wash machines and automobile repair testing instruments.

Apart from new models of lacquer rooms, the Group has been engaged in the development of wider applications of its surface treatment equipment. To meet the criteria of being a qualified suppliers of automobile equipment, the Group has been engaged in relevant tests to obtain certain licences or approval.

FINANCIAL REVIEW

For the six months ended 30th June, 2002, the Group's turnover was approximately RMB80,976,000, representing an increase of 1.7% as compared with the corresponding period in 2001. The Group's net profits attributable to shareholders amounted to approximately RMB698,000 (six months ended 30th June, 2001: RMB10,152,000) representing a decrease of 93% when compared with the corresponding period in 2001.

During the period under review, the basic earnings per share has decreased by 93.8% to RMB0.002 (six months ended 30th June, 2001: RMB0.032).

INTERIM DIVIDEND

The Directors resolved not to pay an interim dividend for the six months ended 30th June, 2002 (six months ended 30th June, 2001: nil).

LIQUIDITY AND FINANCIAL RESOURCES

As at 30th June, 2002, the total assets of the Group amounted to RMB229,627,000 (31st December, 2001: RMB242,545,000).

As at 30th June, 2002, the Group had bank balances and cash of RMB20,235,000 (31st December, 2001: RMB34,646,000). The Group's bank loans amounted to RMB32,100,000 (31st December, 2001: RMB34,500,000). The Group's bank borrowings were secured by a charge on bank deposits of USD85,000 and certain land use rights and buildings held by the Group with a total book value of RMB33,621,000 (31st December, 2001: RMB34,600,000) as well as corporate guarantee given by a third party company.

The Group's major income and borrowings are in Renminbi. Accordingly, there is no significant exposure to foreign exchange rates fluctuation.

As at 30th June, 2002, the debt to equity ratio of the Group was 23.2% (31st December, 2001: 24.3%). The debt to equity ratio is computed on the basis of total borrowings divided by the shareholders' funds of the Group.

The Directors are of the view that there are sufficient financial resources to satisfy its capital commitments and on-going working capital requirements.

PROSPECTS

Despite the anticipated impact from the continued market consolidation and restructuring in the PRC's automobile industry in the second half of the year, the Group will capitalise on its strengths to maintain stable performance for the full year of 2002.

To strengthen its earning base, the Group is actively seeking opportunities to acquire profit-making operations with synergetic effects or activities complementing the Group's existing business profile.

Forging partnership with top international automobile manufacturers is another strategy of the Group to expand its business. The Group is currently holding talks with General Electric of the US and Toyota of Japan on the supply of automobile maintenance equipment. In addition, the Group is exploring opportunities to shift the manufacturing stage of products for export to the relevant overseas markets. The move from local production for overseas sales to overseas production for overseas sales is expected to achieve substantial saving in transportation, assembly and tariff expenses and time. The move will also increase the Group's flexibility in making timely adjustment to production according to market changes.

EMPLOYEE REMUNERATION POLICIES

As at 30th June, 2002, the Group employed 865 (31st December, 2001: 855) employees.

The Group provides remuneration package to employees largely based on industry practice, individual performance, qualification and experience. In addition, discretionary bonus and share option may be granted to eligible staff by reference to the Group's performance and individual performance. The Group also provides other benefits to its employees such as medical and statutory retirement benefits for both the directors and employees.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the six months ended 30th June, 2002, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

AUDIT COMMITTEE

The Company has established an audit committee with terms of reference in compliance with the Code of Best Practice as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange. 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 comprises two independent non-executive directors, namely, Mr. Gu Yao Tian and Mr. Chan Wai Dune.

The audit committee has reviewed the interim report for the six months ended 30th June, 2002.

COMPLIANCE WITH THE CODE OF BEST PRACTICE

The Company has complied with the Code of Best Practice as set out by the Stock Exchange in Appendix 14 to the Listing Rules during the six months ended 30th June, 2002.

PUBLICATION OF INTERIM REPORT ON THE STOCK EXCHANGE WEBSITE

All the information required by paragraphs 46(1) to 46(6) of Appendix 16 of the Listing Rules will be published on the website of the Stock Exchange at www.hkex.com.hk in due course.

On behalf of the Board
Xu Lian Guo
Chairman

Hong Kong, 23rd September, 2002

"Please also refer to the published version of this announcement in The Standard".