ZHONGDA INTERNATIONAL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

ANNUAL RESULTS FOR THE YEAR ENDED 31ST DECEMBER, 2002

RESULTS

The board of directors (the "Directors") of Zhongda International Holdings Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31st December, 2002 together with comparative figures for the previous year as follows:

	Note	2002 *RMB'000*	2001 *RMB'000*
Turnover	2	173,431	180,220
Cost of sales		(109,208)	(96,382)
Gross profit		64,223	83,838
Other revenues		4,308	1,485
Distribution costs		(24,033)	(23,597)
Administrative expenses		(34,335)	(16,814)
Other operating expenses		(3,616)	(1,070)
Operating profit	3	6,547	43,842
Finance costs	4	(2,566)	(3,626)
Profit before taxation		3,981	40,216
Taxation	5	(1,584)	(1,896)
Profit after taxation		2,397	38,320
Minority interests		195	(4,809)
Profit attributable to shareholders		2,592	33,511
Dividends	6	–	4,242
Earnings per share	7		
– Basic		RMB0.006	RMB0.101
– Diluted		Not applicable	RMB0.098

Notes:

1. Basis of preparation

The accounts have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Society of Accountants ("HKSA"). They have been prepared under the historical cost convention.

In the current year, the Group adopted the following Statements of Standard Accounting Practice ("SSAP") 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 translation
SSAP 15 (revised)	:	Cash flow statements
SSAP 33	:	Discontinuing operations
SSAP 34 (revised)	:	Employee benefits

The adoption of the above revised or new SSAPs had no material effect on the consolidated accounts of the Group except that certain presentational changes have been made upon the adoption of SSAP 1 (revised) "Presentation of financial statements" and SSAP 15 (revised) "Cash flow statements".

2. Turnover and segment information

(a) Turnover

The principal activities of the Company and subsidiaries are the development, manufacture and sale of automobile equipment and provision of industrial surface treatment engineering equipment. Turnover represents gross invoiced sales, net of discounts and returns:

	2002 *RMB'000*	**2001** *RMB'000*
Lacquer rooms	88,441	106,382
Automobile lifters	27,118	24,311
Painting and coating lines	28,671	10,532
Computerised car wash system	4,006	7,109
Other automobile equipment	25,195	31,886
	173,431	180,220

(b) *Segment information*

The Group conducts the majority of its business activities in two geographical areas, the PRC and the USA. An analysis by geographical segment, as determined by location of assets, is as follows:

	PRC		USA		Unallocated		Elimination		Total	
	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
REVENUE										
External sales	152,899	157,477	20,532	22,743	–	–	–	–	173,431	180,220
Inter-segment sales	11,920	9,238	–	–	–	–	(11,920)	(9,238)	–	–
Other revenues	4,066	1,380	75	23	167	82	–	–	4,308	1,485
Total	168,885	168,095	20,607	22,766	167	82	(11,920)	(9,238)	177,739	181,705
RESULTS										
Segment results	16,030	41,673	(1,405)	1,728	–	–	(649)	2,135	13,976	45,536
Unallocated corporate expenses	–	–	–	–	(7,429)	(1,694)	–	–	(7,429)	(1,694)
Operating profit/(loss)	16,030	41,673	(1,405)	1,728	(7,429)	(1,694)	(649)	2,135	6,547	43,842
Finance cost	(2,143)	(3,626)	–	–	(423)	–	–	–	(2,566)	(3,626)
Taxation	(1,540)	(1,813)	(44)	(83)	–	–	–	–	(1,584)	(1,896)
Minority interests	195	(4,809)	–	–	–	–	–	–	195	(4,809)
Net profit/(loss) for the year	12,542	31,425	(1,449)	1,645	(7,852)	(1,694)	(649)	2,135	2,592	33,511

No business segment is provided as over 90% of turnover and contribution to profit of the Group are attributable to automobile equipment and related services.

3. Operating profit

Operating profit is determined after crediting and charging the following:

	2002	2001
	RMB'000	*RMB'000*
Crediting:		
Interest income on bank deposits	366	162
Charging:		
Depreciation on owned assets	3,835	2,614
Staff costs (excluding directors' emoluments)	16,136	12,568
Operating leases in respect of buildings	2,587	1,668
Auditors' remuneration	955	790
Loss on disposals of property, plant and equipment	469	–
Provision for inventory obsolescence	2,198	90
Provision for doubtful debts	5,980	4,643
Write-off of bad debts	1,089	–

4. Finance costs

	2002	2001
	RMB'000	*RMB'000*
Interest on bank borrowings repayable within five years	2,566	3,626

5. Taxation

	2002	2001
	RMB'000	*RMB'000*
Current income tax		
– Hong Kong profits tax *(Note (a))*	–	–
– PRC income tax *(Note (b))*	1,540	3,203
– USA income taxes *(Note (c))*	44	83
Deferred tax income		
– PRC income taxes	–	(1,390)
	1,584	1,896

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

(b) The PRC income tax represents enterprise income tax ("EIT") on the taxable income reported in the accounts of subsidiaries established in the PRC which are prepared in accordance with the PRC accounting principles and regulations.

Generally, companies established in the PRC are subject to EIT at 33 per cent. In accordance with relevant tax laws and regulations, Zhongda Automobile Machinery Manufacture Co., Ltd., ("Zhongda Machinery") Yancheng Dasheng Automotive Equipment Co., Ltd., ("Yancheng Dasheng") Jiangsu Zhongda Industrial Painting and Environmental Protection Co., Ltd. ("Zhongda Painting") and Yancheng Zhongda Industrial Equipment Manufacture Co., Ltd., ("Yancheng Zhongda Industrial Equipment") as foreign invested manufacturing enterprises located in Yancheng designated as a Coastal Open Economic Zone, 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.

As approved by Yancheng State Tax Bureau, Yancheng Dasheng, Zhongda Painting and Yancheng Zhongda Industrial Equipment were still in their tax holiday period during the year ended 31st December, 2002, and their first profitable year were determined as 1998, 1998 and 2001 respectively.

(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 Zhongda Group (USA) Inc.

6. Dividend

The board of directors of the Company recommended not to pay a final dividend in respect of the year ended 31st December, 2002. On 22nd April, 2002, the board of directors of the Company declared a cash dividends of HK$0.01 per share, amounting to HK$4,000,040 (equivalent to RMB4,242,000), for the year ended 31st December, 2001.

7. Earnings per share

The calculation of earnings per share was based on profit attributable to shareholders of RMB2,592,000 (2001: RMB33,511,000) and the weighted average number of 400,004,000 shares (2001: 333,370,000 shares) in issue during the year.

The calculation of diluted earnings per share for 2002 was based on the profit attributable to shareholders of RMB2,592,000 (2001: RMB33,511,000) and the diluted weighted average number of approximately 400,004,000 shares (2001: 342,755,000) in issue during the year. For the purpose of calculating diluted earnings per share, the outstanding warrants were considered as potential ordinary shares. For the year ended 31st December, 2002, the potential ordinary shares are anti-dilutive as their conversion to ordinary shares would increase earnings per share. Therefore, the potential ordinary shares were ignored when calculating diluted earnings per share. For the year ended 31st December, 2001, the potential ordinary shares were dilutive and the effect on the weighted average number of shares in issue during the year was approximately 9,385,000 shares.

8. Subsequent events

On 2nd January, 2003, Zhongda Machinery, one of the subsidiaries of the Group, entered into a project investment agreement with the Administrative Committee of the Yancheng Economic Development Zone ("YEDZ") for the investment in three projects at YEDZ for an aggregate amount of approximately RMB60 million, representing investment of RMB42 million in three projects at YEDZ and the acquisition of land use rights of parcels of land located at YEDZ for a total consideration of RMB18 million.

9. Comparative figures

Pursuant to the group reorganisation ("Reorganisation") in connection with the listing of the Company's shares on the Stock Exchange, the Company became the holding company of the other companies comprising the Group on 8th October, 2001. Further details of the Reorganisation are set out in the Company's prospectus dated 22nd October, 2001.

The Company and its subsidiaries resulting from the Reorganisation have been regarded as a continuing entity. Accordingly, the Reorganisation has been accounted for on the basis of merger accounting, under which the consolidated accounts 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.

RECONCILIATION OF UNAUDITED RESULTS TO AUDITED RESULTS

Reconciliation of unaudited results of the Group for the year ended 31st December, 2002 announced on 29th April, 2003 to audited results are as follows:

	RMB'000
Unaudited consolidated profit	3,120
Less: Increase in PRC income tax	(609)
Add: Minority interests	81
Audited consolidated profit	2,592

FINAL DIVIDEND

The directors do not recommend the payment of a dividend (2001: HK$0.01 per share) for the year ended 31st December, 2002.

MANAGEMENT DISCUSSION AND ANALYSIS

Business review

The results of the Group was affected by the changes in the automobile repair and maintenance market and the global economic recession.

Turnover and profits attributable to shareholders of the Group for the year ended 31st December, 2002 was RMB173,431,000 and RMB2,592,000 respectively, representing a respective decrease of 3.7% and 92% when compared with the corresponding period of last year.

Following the accession of the PRC into the WTO, the PRC automobile repair and maintenance market has been experiencing changes, and was transformed from a free market to planned development led by directive automobile plant (汽車指導廠). To cope with the changes in the market, the Group seeks collaboration with automobile plants. Due to the market changes, the overall market does not witness substantial growth. In addition, in order to seek collaboration with automobile plants, the overall gross profit margin decreased from 47% to 37%. The bad debt and inventory positions of the Group were also adversely affected by the market changes.

Due to the global economic recession, the turnover in overseas markets failed to achieve any growth. The Group actively explores overseas markets. The products of the Group are well received and widely recognized in the international market by global repair and maintenance companies, distributors and users and has gained high reputation internationally. The products of the Group are sold to more than 30 states in the US and the Group continues to explore other markets, especially the sales network in western US. The rise in expenditure due to the increase in overseas marketing activities and the economic recession has affected the Group's bad debt and inventory provisions.

Following the listing of the Group in the Stock Exchange, the related expenditure and professional fees increased when compared with the corresponding period last year.

The industrial surface treatment business of the Group grew substantially by 172%. However, it was not complemented by the growth in production capacity. This explained why the production of the RMB40,000,000 order received could only begin in 2003.

In an attempt to expand its production lines, the Group entered into an agreement for investment project with the Yancheng Economic Development Zone of Jiangsu Province on 2nd January, 2003. A total amount of RMB60,000,000 will be invested on the 3 projects to be developed within the Zone, namely the production lines of painting and coating, the production line for car wash system and the production of lacquer room(s) for export. The 3 projects occupy a total site area of 200 mu. For details regarding the investment projects and the location of the land, please refer to the circular dated 27th January, 2003 and the announcement dated 24th April, 2003.

DEVELOPMENT PROSPECT

In an attempt to improve results, the Group is now dedicating much effort to achieve the followings:

Rapidly expand the production sites to accommodate the production lines for surface treatment, endeavour to accelerate the completion of the projects undertaken according to the order received and further increase the sales volume and enhance the production efficiency.

Further expand the sales in overseas markets, in particular the sales in all the states in the US. Recover the market development cost incurred in the previous years as soon as possible.

Speed up the development of the project regarding the Computerized Cleaning Machines, and seek to commence the production of the machines in 2003 and turn it into an important business which can generate/witness income growth by 2004.

Actively capture new business opportunities and search for rooms for development in the automobile inspection and manufacturing business. Committed to achieve a breakthrough and expand the Group's business in this year.

The technology regarding the automobile repair equipment business will further be upgraded and the sales will increase.

We are confident that the sales volume will increase and that the Group will be able to capture new business development opportunities in 2003.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31st December, 2002, the Group's total assets amounted to RMB258,283,000, representing a decrease of RMB15,738,000 as compared with last year. As at 31st December, 2002, the Group had bank balances and cash of RMB47,795,000 (2001: RMB34,646,000), and the bank loans amounted to RMB48,391,000 (2001: RMB34,500,000). The Group's bank borrowings were mainly secured by a charge on fixed deposits of RMB10,606,000 (2001: RMB1,614,000), the land use rights and buildings with a net book value of RMB32,614,000 (2001: RMB34,600,000) and a third party guarantee and the guarantee given by Directors.

Due to the market changes and the global economic recession, the bad debt provision and inventory provision made by the Group for the year amounted to RMB5,980,000 (2001: RMB4,643,000) and RMB2,198,000 (2001: RMB90,000) respectively. The income of the Group is mainly denominated in RMB and USD, while the borrowings are mainly denominated in HKD and RMB. The directors believe the exchange rates of HKD, RMB and USD are quite stable, accordingly, there is no significant exposure to foreign exchange rates fluctuation. The bank borrowings were at interest rates ranging from 5.625 per cent to 7.13 per cent per annum (2001: 6.44 per cent to 7.13 per cent per annum). As at 31st December, 2002, the debt to equity ratio of the Group was 34.5% (2001: 24.3%). The debt to equity ratio is computed on the basis of total bank borrowings divided by the shareholders' funds of the Group.

EMPLOYEE REMUNERATION POLICIES

As at 31st December, 2002, the Group employed a total of 891 ranging from (2001: 885) full time 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 with reference to the Group's performance and individual performance. The Group also provides other benefits such as medical and retirement benefits to both the directors and employees.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year ended 31st December, 2002.

COMPLIANCE WITH THE CODE OF BEST PRACTICE OF THE LISTING RULES

Throughout the year, the Company was in compliance with the Code of Best Practice as set out in the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange in Appendix 14 to the Listing Rules.

AUDIT COMMITTEE

The Company established an audit committee with terms of reference in compliance with the Code of Best Practice as set out in Appendix 14 to the Listing Rules. 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 two members comprising the two independent non-executive Directors.

PUBLICATION OF ANNUAL REPORT ON THE STOCK EXCHANGE'S WEBSITE

All the information required by paragraphs 45(1) to 45(3) of Appendix 16 of the Listing Rules will be published on the website of the Stock Exchange at www.hkex.com.hk.

On behalf of the Board
Xu Lian Guo
Chairman

Hong Kong, 4th July, 2003

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