ZHONGDA INTERNATIONAL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30TH JUNE, 2003

INTERIM RESULTS (UNAUDITED)

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, 2003 together with the comparative figures for the corresponding period of 2002 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30TH JUNE, 2003
(Amounts expressed in thousands of Renminbi, except for earnings per share)

		Six months ended 30th June,	
		2003	**2002**
		(Unaudited)	**(Unaudited)**
	Note	*RMB'000*	*RMB'000*
Turnover	*3*	107,137	80,976
Cost of sales		(65,604)	(49,582)
Gross profit		41,533	31,394
Other revenue	*5*	961	696
Distribution costs		(13,885)	(11,378)
Administrative and operating expenses		(16,536)	(18,815)
Profit from operations		12,073	1,897
Finance costs	*4*	(3,158)	(1,148)
Profit before taxation and minority interests	*4*	8,915	749
Taxation	*6*	(1,778)	522
Profit before minority interests		7,137	1,271
Minority interests		(106)	(573)
Net profit for the period		7,031	698
Dividends	*7*	–	4,242
Earnings per share	*8*		
– Basic		RMB0.018	RMB0.002
– Diluted		Not applicable	Not applicable

Notes:

1. **Group information**

The Company was incorporated in Bermuda on 14th September, 2000 as an exempted company with limited liability under the Companies Act 1981 of Bermuda. The shares of the Company were listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 1st November, 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 2002 annual financial statements.

In the current period, the Group has adopted SSAP No.12 (Revised) "Accounting for income taxes" ("SSAP12 (Revised)"), for the first time, issued by the HKSA. SSAP 12 (Revised) has introduced a new basis of accounting for income taxes (including both current tax and deferred tax) and additional disclosure requirements which have been adopted in the condensed financial statements. The adoption of the above standard has had no significant effect on the results for the current or prior accounting periods. Accordingly, no prior period adjustments were required.

Other than the above, the accounting policies adopted are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31st December, 2002.

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 Six months ended 30th June, 2003 (Unaudited) *RMB'000*	PRC 2002 (Unaudited) *RMB'000*	USA Six months ended 30th June, 2003 (Unaudited) *RMB'000*	USA 2002 (Unaudited) *RMB'000*	Unallocated Six months ended 30th June, 2003 (Unaudited) *RMB'000*	Unallocated 2002 (Unaudited) *RMB'000*	Total Six months ended 30th June, 2003 (Unaudited) *RMB'000*	Total 2002 (Unaudited) *RMB'000*
REVENUE								
External sales	100,250	68,419	6,887	12,557	–	–	107,137	80,976
RESULT								
Segment result	16,083	5,250	(519)	326	–	–	15,564	5,576
Unallocated corporate expenses	–	–	–	–	(3,491)	(3,679)	(3,491)	(3,679)
Operating profit	16,083	5,250	(519)	326	(3,491)	(3,679)	12,073	1,897
Finance cost	(2,809)	(1,246)	–	–	(349)	98	(3,158)	(1,148)
Taxation	(1,778)	729	–	(207)	–	–	(1,778)	522
Minority interests	(106)	(573)	–	–	–	–	(106)	(573)
Net profit (loss) for the period	11,390	4,160	(519)	119	(3,840)	(3,581)	7,031	698
OTHER INFORMATION								
Segment capital expenditure	334	27,040	123	143	–	–	457	27,183
Unallocated corporate capital expenditure	–	–	–	–	–	–	–	–
Total	334	27,040	123	143	–	–	457	27,183
Segment depreciation	1,105	1,588	126	66	–	–	1,231	1,654
Unallocated corporate depreciation	–	–	–	–	26	250	26	250
Total	1,105	1,588	126	66	26	250	1,257	1,904

4. Profit before taxation and minority interests

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

	Six months ended 30th June, 2003 (Unaudited) *RMB'000*	2002 (Unaudited) *RMB'000*
Depreciation on owned assets	1,257	1,904
Interest expense on bank borrowings	3,158	1,148
Loss on disposal of property, plant and equipment	–	284
Provision for inventory obsolescence	–	487
Provision for doubtful debts	2,000	5,830
Staff costs	9,324	9,977

5. Other revenue

	Six months ended 30th June, 2003 (Unaudited) *RMB'000*	2002 (Unaudited) *RMB'000*
Interest income on bank deposits	319	258
Others	642	438
	961	696

6. Taxation

	Six months ended 30th June, 2003 (Unaudited) *RMB'000*	2002 (Unaudited) *RMB'000*
Current income taxes		
– Hong Kong profits tax *(Note (a))*	–	–
– PRC income taxes *(Note (b))*	1,778	360
– USA income taxes *(Note (c))*	–	207
Deferred tax income		
– PRC income taxes	–	(1,089)
	1,778	(522)

(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 accounts of the companies of the Group 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, 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) No USA income taxes have been provided as the subsidiary in USA incurred a loss during the six months ended 30th June, 2003.

7. Dividends

During the six months ended 30th June, 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 declare any interim dividend for the six months ended 30th June, 2003 (six months ended 30th June, 2002: nil).

8. **Earnings per share**

The calculation of earnings per share was based on the consolidated net profit of RMB7,031,000 (six months ended 30th June, 2002: RMB698,000) and the weighted average number of 400,004,000 shares (six months ended 30th June, 2002: 400,004,000 deemed shares) in issue during the period.

For the purpose of calculating diluted earnings per share, the outstanding warrants were considered as potential ordinary shares. No diluted earnings per share is presented for both six months ended 30th June, 2003 and 2002 as the outstanding potential ordinary shares are anti-dilutive.

9. **Comparative figures**

Certain comparative figures have been reclassified to conform to the current period's presentation.

BUSINESS REVIEW

The Company is principally engaged in the development, production and sale of automobile repairing, maintenance and testing equipment and in the provision of industrial surface treatment engineering equipment to various industries including the automobile, aircraft engineering and military industries in the PRC. Its major products are sold to the PRC, North America, North Africa, Europe and other Asian countries.

For the first half of 2003, the Company reported significant improvement in its operating results. The encouraging results reflected the Company's effort in strengthening its marketing activities in the previous year and its taking advantage of the consolidation of the automobile market through its strategy of establishing direct business relationship with large-scale automobile factories, which was beginning to produce results. In the first half of 2003, the Company's net profit rose significantly, as a result of increased sales and effective control of fixed expenses. During the period, the Company's sales amount was approximately RMB107 million, representing an increase of 32.3% when compared with that of the corresponding period last year. Its net profit amounted to RMB7.03 million, surpassing that of the entire previous year.

Despite the difficulties brought forth by the war in Iraq in the Middle East and the outbreak of SARS during the first half of 2003, the Company had adopted proactive measures in its combat against SARS. On the one hand, the Company stepped up preventative measures against SARS, which resulted in zero case of SARS among staff. On the other hand, the Company aggressively grasped on business opportunities, deployed and sent its staff to various sales points across the country to establish close ties with customers. With the widespread of SARS, public concern about personal hygiene increased. People purchased automobiles earlier than their planned schedule to avoid taking public transport, which is always overcrowded. All these factors resulted in an increase in the demand for automobiles. During the period, the national automobile sales rose by 30 per cent, providing opportunities to the Company, which experienced steady growth in its overall business.

As mentioned in the previous year, the PRC automobile repair and maintenance market underwent structural changes after the country's entry to the World Trade Organisation, transforming from a free market with individual automobile repair factories to planned development led by major automobile plants. The market has now entered the final stage of adjustment. In response to market changes, the Company had adopted corresponding measures, including actively seeking collaboration with major automobile manufacturers, which produced significant results in the first half of the year. Net profit margin rose by 5.7 percentage points when compared with that of the same period last year. The Company's stringent control over its expenses also led to an overall gross profit margin of 38.8%.

After years of active business expansion by the Company, Zhongda International's products have gained wide acceptance and recognition in the PRC and overseas markets, and earned high credibility. The Company's automobile lacquer rooms, wheel aligners for automobiles and specialised automobile modelling equipment were named as Torch Plan projects of Jiangsu Province in 2003, and designated as the auxiliary equipment by major domestic automobile manufacturers.

To expand its production line, Zhongda International, through its subsidiary Zhongda Machinery, entered into a project investment agreement of approximately RMB60 million with the Administrative Committee for the Yancheng Economic Development Zone ("Yancheng EDZ") of Jiangsu Province in 2003. The agreement was about investment in three projects in Yancheng EDZ, including the production lines for painting and coating, a production line for car wash system and a line for the production of export-oriented lacquer rooms. Construction of the factories under these three projects is now proceeding and is expected to be completed in early 2004. The board believed that these projects will provide a solid foundation for the Company's future business expansion.

With respect to the export business, the Company's overall export sales for the first half of 2003 rose steadily. Affected by the US-Iraqi war, there was some adjustment to the Company's sales amount in the US market during the period.

FINANCIAL REVIEW

For the six months ended 30th June, 2003, the Group's turnover was approximately RMB107,137,000, representing an increase of 32.3% as compared with the corresponding period in 2002. The Group's net profits attributable to shareholders amounted to approximately RMB7,031,000 (six months ended 30th June, 2002: RMB698,000) representing an increase of over 900% when compared with the corresponding period in 2002.

During the period under review, the basic earnings per share has increased by 8 times to RMB0.018 (six months ended 30th June, 2002: RMB0.002).

INTERIM DIVIDEND

The Directors resolved not to declare any interim dividend for the six months ended 30th June, 2003 (six months ended 30th June, 2002: nil).

LIQUIDITY AND FINANCIAL RESOURCES

As at 30th June, 2003, the shareholders' funds of the Group amounted to RMB147,130,000 (31st December, 2002: RMB140,149,000).

As at 30th June, 2003, the Group had bank balances and cash of RMB114,584,000 (31st December, 2002: RMB47,795,000). The Group's bank loans amounted to RMB78,506,000 (31st December, 2002: RMB48,391,000). The increase in bank loans is for the finance of the investment projects in Yancheng EDZ.

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, 2003, the debt to equity ratio of the Group was 53.4% (31st December, 2002: 34.5%). 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.

CONTINGENT LIABILITIES

As at 30th June, 2003, the Group had no material contingent liabilities.

MATERIAL ACQUISITIONS AND DISPOSALS

There was no material acquisitions and disposals of subsidiaries and associated companies during the six months ended 30th June, 2003.

CHARGES ON ASSETS

The Group's bank borrowings were secured by a charge on bank deposits of RMB10,606,000 (31st December, 2002: RMB10,606,000) and certain land use rights and buildings held by the Group with a total book value of RMB31,921,000 (31st December, 2002: RMB32,614,000) as well as corporate guarantee given by a subsidiary of the Company and personal guarantees given by two Directors.

PROSPECTS

In 2003, the Company still focuses on the development of principal business, namely lacquer rooms, automobile lifters and industrial surface treatment engineering equipment. Besides, the Company also further strengthens its cooperation with automobile manufacturers, selling its products directly to automobile manufacturers. Since the amount of each order from this type of clients is generally large, the Company's closer collaboration with these clients will help enhance the Company's overall sales amount and lower the average cost of each order. At the same time, the Company actively pursues the development of automated computerised car wash machines, and expects to enter into agreement in 2003 with Italian manufacturers to establish a joint-venture company for the development of automated computerised car wash machines. Such a move will help enhance the Company's technology and accelerate the development of the aforesaid productions. In addition, the Company will continue to further augment operational efficiency through optimising the staff incentive mechanism, in order to maintain the Company's leading position in the PRC automobile repair and maintenance equipment industry.

In order to consolidate its business development, the Company will focus on the following tasks:

– In accordance with the established market strategies, strengthen and focus on the collaboration with clientele – automobile manufacturers such as Shanghai Volkswagen, General Motors, Ford, Zhonghua Automobile, etc

– Enhance production technology and fine-tune the production flow and product design, in order to raise product quality

– Develop e-commerce to enhance products' reputation in the international and domestic markets

– Explore business opportunities by looking for appropriate business with earning power potential through acquisitions, and creating synergistic effect with existing business. The Company is actively seeking opportunities for investment in mature and profitable automobile-related businesses in the form of equity investment, in order to expand the Company's profit base and source of revenue.

– Reengineer the sales development strategy for overseas markets and collaborate with distributors to achieve higher cost efficiency.

EMPLOYEE REMUNERATION POLICIES

As at 30th June, 2003, the Group employed 906 (31st December, 2002: 891) 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, 2003, 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 ("the Listing Rules") 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 has reviewed the interim report for the six months ended 30th June, 2003.

COMPLIANCE WITH THE CODE OF BEST PRACTICE

None of the directors is aware of any information that would reasonably indicate that the Company is not, or was not, in compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules during the six months ended 30th June, 2003.

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

Yancheng, China, 26th September, 2003

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