中大国际
Zonda

ZHONGDA INTERNATIONAL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 909)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30TH JUNE, 2004

INTERIM RESULT (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, 2004 together with the comparative figures for the corresponding period of 2003 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30TH JUNE, 2004

		Six months ended 30th June,	
		2004	**2003**
		(Unaudited)	**(Unaudited and restated)**
	Note	*RMB'000*	*RMB'000*
Turnover	*3*	110,511	107,137
Cost of goods sold		(72,743)	(65,604)
Gross profit		37,768	41,533
Other revenue	*5*	519	961
Distribution costs		(11,280)	(13,885)
Administrative and other operating expenses		(13,084)	(16,536)
Profit from operations		13,923	12,073
Finance costs		(2,294)	(3,158)
Profit before taxation and minority interests	*6*	11,629	8,915
Taxation	*7*	(4,314)	(1,325)
Profit before minority interests		7,315	7,590
Minority interests		(460)	(58)
Net profit for the period		6,855	7,532
Dividends	*8*	–	–
Earnings per share	*9*		
– Basic		RMB0.017	RMB0.019
– Diluted		Not Applicable	Not Applicable

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30TH JUNE, 2004

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.

The condensed interim financial statements should be read in conjunction with the 2003 annual financial statements.

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, 2003.

3. TURNOVER

Turnover represents gross invoiced sales, net of discounts and returns. Analysis of the turnover by major category is as follows:

	Six months ended 30th June,	
	2004	**2003**
	(Unaudited)	**(Unaudited)**
	RMB'000	*RMB'000*
Sales of goods	78,505	74,062
Revenue from construction contracts	32,006	33,075
Total Turnover	110,511	107,137

4. SEGMENT INFORMATION

The Group conducts the majority of its business activities in two geographical areas, the People's Republic of China (the "PRC") and the United States of America (the "USA"). An analysis by geographical segment, as determined by the location of assets, is as follows:

	PRC		**USA**		**Elimination**		**Total**	
	Six months ended 30th June,		**Six months ended 30th June,**		**Six months ended 30th June,**		**Six months ended 30th June,**	
	2004	**2003**	**2004**	**2003**	**2004**	**2003**	**2004**	**2003**
	(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	107,618	100,250	2,893	6,887	–	–	110,511	107,137
Inter-segment sales	994	2,602	–	–	(994)	(2,602)	–	–
Other revenue	519	872	–	89	–	–	519	961
Total	109,131	103,724	2,893	6,976	(994)	(2,602)	111,030	108,098
RESULT								
Segment result	18,332	16,083	(1,026)	(519)	–	–	17,306	15,564

Unallocated corporate expenses	(3,383)	(3,491)
Profit from operations	13,923	12,073
Finance cost	(2,294)	(3,158)
Taxation	(4,314)	(1,325)
Minority interests	(460)	(58)
Profit attributable to shareholders	6,855	7,532

5. OTHER REVENUE

	Six months ended 30th June,	
	2004	**2003**
	(Unaudited)	**(Unaudited)**
	RMB'000	*RMB'000*
Interest income on bank deposits	346	319
Others	173	642
	519	961

6. PROFIT BEFORE TAXATION AND MINORITY INTERESTS

Profit before taxation and minority interests is determined after charging or (crediting) the followings:

	Six months ended 30th June,	
	2004	**2003**
	(Unaudited)	**(Unaudited)**
	RMB'000	*RMB'000*
Depreciation on owned assets	1,527	1,257
Interest expense on bank borrowings	2,294	3,158
Gain on disposal of property, plant and equipment	(42)	–
Provision for doubtful debts	–	2,000
Staff costs	8,248	9,324

7. TAXATION

	Six months ended 30th June,	
	2004	**2003**
	(Unaudited)	**(Unaudited)**
	RMB'000	*RMB'000*
Current income taxes		
– Hong Kong profits tax	–	–
– PRC income taxes	4,314	1,778
– USA income taxes	–	–
Deferred tax		
– PRC income taxes	–	(453)
	4,314	1,325

No Hong Kong Profits Tax has been provided for as the Group had no assessable profits in Hong Kong during both periods.

The Company's subsidiaries established in the PRC are subject to Enterprises Income Tax ("EIT") at a rate of 24% and are subject to the benefit of full exemption from EIT for 2 years starting from the first profitable year followed by a 50% deduction for 3 years. Certain of these subsidiaries are still enjoying a 50% deduction in EIT rate under the benefit.

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

8. DIVIDENDS

No dividend was paid or proposed for the six months ended 30th June, 2004 (six months ended 30th June, 2003: nil).

9. EARNINGS PER SHARE

The calculation of earnings per share was based on the consolidated net profit of RMB6,855,000 (six months ended 30th June, 2003 (restated): RMB7,532,000) and the weighted average number of 400,004,000 shares (six months ended 30th June, 2003: 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. No diluted earnings per share is presented for both six months ended 30th June, 2004 and 2003 as the outstanding potential ordinary shares are anti-dilutive.

10. COMPARATIVE FIGURES

Certain comparative figures have been restated with respect to the first time adoption of SSAP 12 (Revised) – Income Taxes to conform with the audited results for the year ended 31st December, 2003.

BUSINESS REVIEW

The Group is principally engaged in the development, production and sales of automobile repairing, maintenance and testing equipment and in the provision of industrial surface treatment engineering equipment to various industries including automobile and aircraft engineering industries in the PRC. As the integration process of the automobile maintenance industry continued during the reporting period, the Group's major clients shifted gradually from small-scale automobile repair stations to large-scale four-in-one repair centres. These clients tend to co-operate with sizable automobile maintenance equipment producers, which resulted in the gradual elimination of small-scale factories and was beneficial to the Group in its continuous consolidation of its leading position in the automobile maintenance industry in the long run.

After the State implemented macroeconomic regulatory measures, tightened credit policy has only slightly affected the automobile equipment manufacturing industry and the Group still expects the automobile production business to grow sharply this year. Under the present macroeconomic situation, the actual growing speed was only moderate, but still there was a 10% increase in the total sales of automobile in the PRC market compared with last year. The growth of the personal automobile consumption slowed down under the macroeconomic effect, but the commercial automobile market remained flourishing.

Driven by the sales of the testing equipment, the operating income of the Group in the first half of 2004 rose to approximately RMB110,511,000. In order to strive for co-operation opportunities with major automobile producing factories to increase its market share, the Group offered a more competitive selling price to relevant clients, which resulted in a gross margin of 34.2%, a decrease of 4.6% as compared with the corresponding period in 2003. At the same time, the Group was committed to controlling economic costs. Expenses such as those in distribution costs and administrative and other operating expenses have decreased and therefore the profit before taxation increased approximately RMB2,714,000. The net profit of the Group was approximately RMB6,855,000 in the first half of the year, a slight decrease of approximately 9% as compared with the corresponding period last year which was due to a significant increase in taxes as the tax allowance brought down from last year has been completely offset.

The export sales of the Group decreased in the first half of the year as the Group appointed three local agents in the USA to sell the Zhongda products in different districts rather than conducting direct sales by itself in the USA market as before. Since those agents are still inexperienced, the export sales to the USA were adjusted for the first half of 2004. Sales remained the same in other overseas markets compared with last year. At present, the Group has its own sales teams responsible for sales and marketing activities in 30 countries in the world.

The Group has entered into a joint-venture agreement with the famous Italian enterprise Ceccato and an Italian financial institution in April 2004 to set up a joint-venture enterprise engaging in the production of car washing equipment. By introducing overseas advanced technology and management staff, the Group wishes to further improve the product quality and the production efficiency. The total registered capital for the joint venture project amounted to US$1,500,000 and 49% of the equity is held by Zhongda International. According to its shareholding ratio, the Group's initial investment in the joint venture project is approximately US$700,000.

Zhongda International has entered into an agreement with Jiangsu Jinling Transportation Group Limited in March 2004 to set up a joint-venture enterprise engaging in the production and sales of double-deck bus for urban transportation in the PRC. The joint-venture company was officially established on 12th August 2004 and the total investment from Zhongda International was approximately RMB32,000,000. Investing in the production of double-deck bus was an important arrangement for Zhongda International in extending its business from the automobile maintenance industry to the automobile manufacturing industry. The Group intends to strategically extend gradually to the downstream automobile manufacturing industry in coordination with its automobile service and production equipment, so that a group which conducts a complete set of automobile business can be formed. The joint-venture enterprise will commence its technological improvement in September, which is expected to be completed in March 2005. At that time, the production scale will reach 2,000 double-deck buses per year and the joint venture project will become one of the largest double-deck buses manufacturing enterprises in Asia.

The Group has also set up Yancheng Ao Shen Industrial Equipment Manufacture Limited in April this year, which is a wholly-owned subsidiary of the Group. It is principally engaged in the production and sales of lift machines.

FINANCIAL REVIEW

For the six months ended 30th June, 2004, the Group's turnover was approximately RMB110,511,000 representing an increase of 3.15% as compared with the corresponding period in 2003. The Group's net profits attributable to shareholders amounted to approximately RMB6,855,000 (six months ended 30th June, 2003: RMB7,532,000) representing a decrease of 8.99% when compared with the corresponding period in 2003.

During the period under review, the basic earnings per share decreased by 0.11 times to RMB0.017 (six months ended 30th June, 2003: RMB0.019).

INTERIM DIVIDEND

The Directors resolved not to declare any interim dividend for the six months ended 30th June, 2004 (six months ended 30th June, 2003: Nil).

LIQUIDITY AND FINANCIAL RESOURCES

As at 30th June, 2004, the shareholders' funds of the Group amounted to RMB161,392,000 (31st December, 2003: RMB154,507,000).

As at 30th June, 2004, the Group had bank balances and cash of RMB51,391,000 (31st December, 2003: RMB45,803,000). The Group's bank loans amounted to RMB96,900,000 (31st December, 2003: RMB65,900,000). The increase in bank loans is for the finance of the investment projects in Yancheng Economic Development Zone.

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, 2004, the debt to equity ratio of the Group was 60% (31st December, 2003: 42.7%). 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 LABILITIES
As at 30th June, 2004, the Group had no material contingent liabilities.

MATERIAL ACQUISITIONS AND DISPOSALS
The Group has signed an agreement in March 2004 with Jiangsu Jinling Transportation Group Limited on the formation of a joint venture company to undertake the manufacturing of buses in Nanjing China. The joint venture was formally formed in July 2004.

The Group has signed an agreement in April 2004 with Ceccato and Simest (2 Italian companies) on the formation of Yancheng Zhongda Ceccato Washing Systems Co. Ltd. The joint venture will undertake the production and sales of vehicle washing machines.

The Group has also formed a wholly-owned subsidiary Yancheng Ao Shen Industrial Equipment Manufacture Limited to undertake the production and sales of vehicle lifters.

Save as disclosed, there was no other material acquisitions and disposals of subsidiaries and associated companies during the six months ended 30th June, 2004.

CHARGES ON ASSETS
The Group's bank borrowings were secured by a charge on bank deposits of RMB Nil (31st December, 2003: Nil) and certain land use rights and buildings held by the Group with a total book value of RMB29,637,000 (31st December, 2003: RMB30,623,000) as well as corporate guarantee given by a subsidiary of the Company.

PROSPECT
In the second half of the year, Zhongda International will expedite the development of its testing equipment business of the automobile repair products. On the other hand, upon consolidating its basis of the testing equipment business of automobile repairing, the Group will gradually increase its investment in equipment for automobile use, such as car washing machines.

Automobile manufacturing business will be another major business of the Group. With the development of the domestic transportation networks and the urban transportation becoming increasingly busy, the demand for double-deck buses, the major transportation vehicles, will have an enormous potential for growth.

One piece of the Group's land in Jiangsu Yancheng Economic Development Zone is used as a car washing machine producing factory. The topping-out of the superstructure work has been completed and production is expected to commence at the end of the year. The other piece of land was used for the workshop of car coating and the construction of the relevant facilities has been completed. The third piece of land will be used as an exhibition hall of the products and is now under planning stage. The development of the fourth piece of land is temporarily postponed and a short-term tenancy agreement has been signed in July this year.

Furthermore, the Group is committed to upgrading the management to the international level, allocating resources efficiently and recruiting international talents. At the same time, in order to retain its leading position in the automobile maintenance industry and the automobile manufacturing industry, the Group is also committed to improving its quality in all aspects and looking for co-operation opportunities with enterprises funded by foreign investments in terms of capital, management, technology and human resources.

EMPLOYEE REMUNERATION POLICIES
As at 30th June, 2004, the Group employed 900 (31st December, 2003: 898) 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, 2004, 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, 2004.

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, 2004.

PUBLICATION OF INTERIM REPORT ON THE STOCK EXCHANGE WEBSITE

All the information required by paragraphs 46(1) to 46(9) 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.

By order of the Board
Xu Lian Guo
Chairman

Yancheng, China, 27th August, 2004

As at the date of this report, the board of Directors comprises of:

Executive Directors
Mr. Xu Lian Guo, Mr. Xu Lian Kuan, Mr. Zhang Yuqing

Independent non-executive Directors
Mr. Gu Yao Tian, Mr. Chan Wai Dune, Mr. Li Xin Zhong

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