ZHONGDA INTERNATIONAL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)
(Stock code: 909)

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER, 2004

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 31 December, 2004 together with the comparative figures for the previous year as follows:

	Notes	2004 RMB'000	2003 RMB'000
Turnover	2	**217,706**	227,517
Cost of sales		**(151,455)**	(158,995)
Gross profit		**66,251**	68,522
Other income		**10,981**	10,582
Distribution costs		**(14,071)**	(25,974)
Administrative expenses		**(28,018)**	(27,742)
Other operating expenses		**(9,157)**	(3,704)
Profit from operations	3	**25,986**	21,684
Finance costs	4	**(5,197)**	(3,306)
Profit before taxation		**20,789**	18,378
Income tax expenses	5	**(4,937)**	(4,485)
Profit after taxation		**15,852**	13,893
Minority interests		**(3,051)**	(2,426)
Profit attributable to shareholders		**12,801**	11,467
Dividend	6	**–**	–
Earnings per share	7		
– Basic		**RMB0.032**	RMB0.029
– Diluted		**Not applicable**	Not applicable

1. **Principal accounting policy**

The financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong and under the historical cost convention.

The Hong Kong Institute of Certified Public Accountants has issued a number of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards ("new HKFRSs") which are effective for accounting periods beginning on or after 1 January 2005. The Group has not early adopted these new HKFRSs in the financial statements for the year ended 31 December 2004.

The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a significant impact on its results of operations and financial position.

2. **Turnover and segment information**

a) *Turnover*

The principal activities of the Group are the development, manufacturing and sales of automobile equipment and buses, and provision of industrial surface treatment engineering equipment. Turnover represents gross invoiced sales, net of discounts and returns. Analysis of the turnover by major category is as follows:

	2004 RMB'000	2003 RMB'000
Sales of goods	**170,667**	171,161
Revenue from construction contracts	**47,039**	56,356
Total turnover	**217,706**	227,517

b) *Segment information*

For management purposes, the Group is currently organised into two operating divisions - automobile equipment and bus. These divisions are the basis on which the Group reports its primary segment information.

Principal activities are as follows:

Automobile equipment – manufacture and sale of automobile equipment

Bus – manufacture and sale of buses

Segment information about these businesses is presented below:

	Automobile equipment		Bus		Total	
	2004	2003	**2004**	2003	**2004**	2003
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
REVENUE						
External sales	**214,034**	227,517	**3,672**	–	**217,706**	227,517
Other income	–	2,707	–	–	–	2,707
	214,034	230,224	**3,672**	–	**217,706**	230,224
RESULTS						
Segment results	**28,059**	24,875	**12**	–	**28,071**	24,875
Interest income and unallocated income					**10,981**	7,875
Unallocated corporate expenses					**(13,066)**	(11,066)
Profit from operations					**25,986**	21,684
Finance costs					**(5,197)**	(3,306)
Income tax expenses					**(4,937)**	(4,485)
Minority interests					**(3,051)**	(2,426)
Profit attributable to shareholders					**12,801**	11,467

3. **PROFIT FROM OPERATIONS**

Profit from operations is determined after charging the following:

	2004	2003
	RMB'000	*RMB'000*
Cost of inventories sold	**115,420**	109,935
Depreciation of owned property, plant and equipment	**3,303**	3,259
Staff costs (excluding directors' emoluments)		
– Salaries and wages	**13,672**	13,841
– Defined retirement contributions	**841**	776
Operating leases in respect of buildings	**865**	1,638
Auditors' remuneration	**632**	500
Written off of bad debts	**958**	–
Impairment losses on property, plant and equipment	**168**	–
Written off of inventory obsolescence	**–**	253
Provision for doubtful debts	**1,810**	–

4. **FINANCE COSTS**

	2004	2003
	RMB'000	*RMB'000*
Interests on bank borrowings	**5,197**	3,306

5. **INCOME TAX**

The amount of income tax charged/(credited) to the consolidated income statement represents:

	2004	2003
	RMB'000	*RMB'000*
Current income tax		
– Hong Kong	**–**	–
– PRC		
– Current year	**5,372**	4,579
– Overprovision for prior year	**–**	(816)
– USA	**–**	7
Deferred taxation		
– PRC income taxes	**(435)**	715
	4,937	4,485

No Hong Kong Profits Tax has been provided for as the Group had no assessable profits in Hong Kong during the year (2003: Nil).

The Company's subsidiaries established in the PRC are subject to Enterprise 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.

6. **DIVIDEND**

No dividend was paid or proposed during the year, nor has any dividend been proposed since the balance sheet date (2003: Nil).

7. **EARNINGS PER SHARE**

The calculation of earnings per share was based on the profit attributable to shareholders of RMB12,801,000 (2003: RMB11,467,000) and the weighted average number of 400,004,000 shares (2003: 400,004,000 shares) in issue during the year.

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 the year ended 31 December, 2004 and the year ended 31 December, 2003 as the outstanding potential ordinary shares are anti-dilutive for both years.

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

The Group's turnover and profit attributable to shareholders for the year amounted to approximately RMB218 million and RMB13 million respectively, representing a decrease of approximately 4% and an increase of approximately 12% respectively when compared with last year. The gross margin remained at 30%. As at 31 December 2004, the Group had commitments of capital expenditure in respect of the acquisition of land use right and buildings for production purposes amounted to approximately RMB15 million (2003: approximately RMB20 million) and investment in a sino-foreign equity joint venture at approximately RMB6 million (2003: Nil). The amounts are expected to be financed by internal funding.

For the year ended 31 December 2004, the basic earnings per share of the Group were approximately RMB0.032 (2003: approximately RMB 0.029).

Operating environment

2004 is a challenging year for the automobile manufacturing sector in China. The price of steel and raw materials for manufacturing vehicles, recorded a substantial increase. Meanwhile, the selling prices of vehicles saw a continuous decrease, putting pressure on the gross profit of the automobile manufacturing sector. On the other hand, domestic banks tightened their financing on automobiles and the price of crude oil rose, these reduced the appetite of consumers for automobiles. A majority of consumers maintained a "wait-and-see" attitude, thus slowing down the growth of domestic sales of automobile.

According to the statistics of China Association of Automobile Manufactures, the production and sales volumes of vehicles in China for the year 2004 were both 5 million units, representing an increase of 14% and 16% respectively when compared with 2003. This has demonstrated that the demand for vehicles in China is still strong, however, the growth rate has become steady.

In the previous year, there was a strategic adjustment in the automobile maintenance market. In the past, players of the sector focused on setting up 4-in-1 (vehicles sales, after-sales services and provision of spare parts and information) service centres. This practice has been gradually changed to the establishment of well planned and convenient "express service centres". These "express service centres" are relatively smaller in scale, and can satisfy vehicle users' demand for instant inspection and repair. Througout the automobile maintenance sector, the existing equipment-intensive integrated services are now being replaced by low-investment but high-quality convenient services.

Automobile Maintenance Equipment Business

In 2004, the Group focused on developing high value-added products with high technology for its automobile maintenance equipment business. The Group's three investment projects in Yancheng Economic Development District, Jiangsu Province, will commence trial production soon. Production capacity of lifters will increase to 8,000 units from 2,000 units. Sales volume also increases in 2004.

During the year, the sales of the Group's automobile inspection equipment were approximately RMB20 million, an increase of 60% compared with that of the previous year. Sales of automobile inspection equipment represented 9% of the total sales of the Group. Sales from lacquer rooms showed a slight increase but sales from large-scale surface treatment lines recorded a decrease. Large-scale surface treatment lines had a higher unit selling price, hence reducing its sales volume. This had certain impact on the Group's overall sales.

Technical problems associated with the Group's car washing machine venture with an Italian listed company, were solved during the year 2004. Plant construction and equipment installation were completed, and trial production was started at the beginning of 2005. Annual production capacity for the phase one plant construction is 500 units of car washing machine.

During the year, export sales of the Group were RMB32 million, representing approximately 15% of the total turnover. The Group mainly exported lifters and lacquer rooms in 2004.

The Group changed its distribution mode for its export products during the year, from distributing by itself to engaging distributors. The Group has 3 distributors in the eastern, middle and western parts of the United States. In 2004, approximately 90% of the products exporting to the United States were distributed by local distributors.

On the other hand, the Group further expanded its overseas markets. Products were sold to new markets like the Middle East and Russia.

To cope with market demand, the Group continued to inject resources for strengthening the research and development of products. The Group launched several new products like integrated inspection equipment and safety inspection equipment during the year. These products have gained a good response from the market.

Automobile Manufacturing Business

During the year, the Group established Nanjing Zhongda Jinling Double-Decker Bus Manufacture Company Limited ("Zhongda Jinling") with Jiangsu Jinling Transportation Group Limited and Sichuan Zhongda Emei Coach Manufacturing Limited ("Zhongda Emei") with Sichuan Bus Manufacture Limited respectively. The Group indirectly held 60% and 71% interests in Zhongda Jinling and Zhongda Emei respectively. These joint-ventures are still in an start-up stage and had slight turnover contribution to the Group during the year.

Zhongda Jinling is the only enterprise designated by the state for developing city double-deck buses. Zhongda Jinling possesses advanced technologies on products of the same kind in China. Jinling brand double-deckers have a share of approximately 80% in the turnover of the urban transportation market in China. Major cities like Beijing and Shanghai have purchased Jinling brand double-deckers.

During the year, the Group upgraded the technologies of Zhongda Jinling, resulting in an increase in production capacity from 500 units to 2,000 units.

Zhongda Emei focuses on manufacturing long-haul buses for mountainous areas and its sales are mainly to western provinces like Yunnan, Guizhou and Sichuan. The annual production capacity of Zhongda Emei is 1,500 buses and the production target for 2005 is 600 buses.

Liquidity and Financial Resources

As at 31 December 2004, the Group's total assets amounted to approximately RMB459 million (2003: approximately RMB317 million), representing an increase of RMB142 million. As at 31 December 2004, the Group had bank balances and cash of approximately RMB32 million (2003: approximately RMB46 million) and bank loans were approximately RMB113 million (2003: approximately RMB66 million). The Group's bank borrowings were mainly secured by charges on certain land use rights and buildings of the Group with a net book value of approximately RMB100 million (2003: approximately RMB31 million).

Liabilities increased from approximately RMB147 million in the previous year to approximately RMB267 million in this year, which was mainly attributable to the two new joint ventures (Zhongda Jinling and Zhongda Emei) and the transfer of approximately RMB100 million debt owed by the local shareholders while injecting their assets. Bank loans of the Group increased during the year as a result of acquisition, plant construction and land acquisition. The Group is planning a debt restructuring for the new joint ventures and is negotiating with suppliers and banks for waiving part of the debts and deferring repayments. Initial results are encouraging.

There were no material changes in bad debt and inventory provisions. Bad debt provision had a net increase of approximately RMB800,000 (2003: an increase of approximately RMB1.6 million) and no changes were recorded for inventory provision (2003: an increase of approximately RMB800,000). Inventories at the end of 2004 increased by approximately RMB19 million when compared with that of 2003. The increase was mainly attributable to the inventories of the 2 newly established joint-ventures added to the consolidated account. These inventories were audited, and stated at their fair values at the time when they were injected into the joint-ventures. Accordingly, no changes were recorded to the inventory provision. Revenue of the Group is mainly denominated in RMB and USD and borrowings are mainly settled in RMB. As the exchange rate of RMB to USD is stable, the Directors consider that the Group has no significant exposure to exchange rate fluctuation. Interest on bank borrowings was charged at 3.98% to 6.59% (2003: 3.98% to 7.13% per annum). As at 31 December 2004, the debt to equity ratio of the Group was 67.4% (2003: 42.7%). The debt to equity ratio is computed on the basis of total bank borrowings divided by the shareholders' fund of the Group.

Dividend

The Board of Directors do not recommend the payment of a dividend for the year ended 31 December 2004 (2003: Nil).

Prospect

The domestic automobile market is expected to grow steadily in 2005. It is anticipated that imported vehicles will boost the demand for automobile maintenance equipment. Beijing and Shanghai will hold the Olympic Games and World Expo respectively, and these high-profile international activities will provide an effective impetus to the demand for vehicles. To cope with the heavy traffic during these activities, the Group expects that Beijing and Shanghai will need to build 1,000 and 500 "express service centres" respectively for the provision of inspection and maintenance services for different kinds of vehicle.

In order to enhance environmental protection and to comply with international standards, China required the existing 760,000 coaches which have already attained the Euro I Emission Standard to meet the higher Euro II Emission Standard within five years. In the coming five years, it is expected that approximately 150,000 coaches will be replaced each year due to the above requirement. In the year 2004, total sales of coaches in China was 98,000 units.

On the other hand, the Chinese government is currently holding the campaign "Cun Cun Tong" ("Connecting the Villages") to improve the standard of living in rural areas. The project is aimed at extending the coverage of television broadcast, asphalt highways and public bus service to the rural areas. It is estimated that the project would create a demand for up to 100,000 buses per annum.

With the tightened up of vehicle emission restriction, extension of highway coverage and increase in long distance traffic flow, China has a huge market potential for double-deckers and long-haul coaches .

The Group is committed to strengthening the business models and management operations of its joint-ventures. A market-oriented approach for development is adopted to increase the sales of Jiangsu Jinling and Sichuan Emei and enhance their operating efficiency.

The Group will also work to strengthen its capabilities of market expansion and technologies development, with its focus on multi-fuel (LPG, gasoline, electricity) vehicles and development of low platform public buses and other buses exclusive for the "Cun Cun Tong" project.

In addition, the Group will expand the after-sales product range for vehicles through, for example, boosting sales to shorten the transformation to mass production of car washing machines, increasing the target sales volume for inspection machines, developing new types of lacquer room and maximizing sales from surface treatment.

In response to the market trend, the Group will supply professional equipment for the emerging "express service centres". At the same time, the Group will assess the feasibility of establishing its own express service centres .

Looking forward, the Group expects to achieve better sales, profitability and management results.

EMPLOYEE REMUNERATION POLICIES

As at 31 December 2004, the Group employed a total of 1,200 (2003: 898) 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 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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December, 2004

COMPLIANCE WITH THE CODE OF BEST PRACTICE

Throughout the year, the company was 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 of Hong Kong (the "Listing Rules")

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 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 reviewed the Group's annual results for the year ended 31 December 2004 in conjunction with the Company's external auditors. The audit committee has three members comprising the three independent non-executive directors, namely, Mr. Gu Yao Tian, Mr. Chan Wai Dune and Mr. Li Xin Zhong.

PUBLICATION OF ANNUAL RESULTS ON THE STOCK EXCHANGE WEDSITE

All the information required by paragraphs 45(1) to 45(3) of Appendix 16 of the Listing Rules (in force prior to 31 March 2004 and applicable to this announcement under the transitional arrangement) 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, 20 April, 2005

Executive Directors:	*Independent Non-executive Directors*
Mr. Xu Lian Guo *(Chairman)*	Mr. Gu Yao Tian
Mr. Xu Lian Kuan	Mr. Chan Wai Dune
Mr. Zhang Yuqing	Mr. Li Xin Zhong

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