ZHONGDA INTERNATIONAL HOLDINGS LIMITED

中大國際控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 909)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2008

INTERIM RESULTS

The board of directors (the "Board") 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 30 June 2008 together with the comparative figures for the corresponding period of 2007.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2008

	Notes	**For the six months ended 30 June 2008** *RMB'000* **(Unaudited)**	2007 *RMB'000* (Unaudited)
Turnover	*4*	**299,466**	113,544
Cost of sales		**(255,707)**	(86,006)
Gross profit		**43,759**	27,538
Other revenue		**16,569**	6,756
Selling and distribution expenses		**(9,065)**	(8,724)
Administrative and other operating expenses		**(25,505)**	(9,026)
Finance costs		**(7,117)**	(6,229)
Profit before taxation		**18,641**	10,315
Taxation	*7*	**(2,169)**	(182)
Profit for the period		**16,472**	10,133
Attributable to:			
Equity holders of the Company		**18,181**	9,156
Minority interests		**(1,709)**	977
		16,472	10,133
Dividends	*8*	**–**	–
		RMB	*RMB*
Earnings per share	*9*		
– Basic		**3.43 cents**	2.18 cents
– Diluted		**3.36 cents**	2.05 cents

CONDENSED CONSOLIDATED BALANCE SHEET
As at 30 June 2008

	Notes	30 June 2008 RMB'000 (Unaudited)	31 December 2007 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment		**103,372**	101,396
Prepaid lease payments		**43,000**	55,629
Investment properties		**125,342**	96,889
Prepayment for an investment in an associate		**474**	474
Available-for-sale investments		**900**	900
Deferred tax assets		**18,867**	17,430
		291,955	272,718
Current assets			
Inventories		**42,858**	48,736
Amount due from an associate		**723**	–
Amounts due from related companies		**170,497**	123,948
Trade and bills receivables	10	**115,763**	85,255
Prepaid lease payments		**970**	1,244
Amounts due from customers for contract work		**29,267**	25,594
Prepayments and other receivables		**30,844**	34,199
Restricted deposit placed in a financial institution		**1,400**	15,802
Pledged bank deposit		**9,991**	16,159
Restricted bank balances		**116,660**	4,161
Bank balances and cash		**29,605**	53,719
		548,578	408,817
Current liabilities			
Amounts due to customers for contract work		**2,788**	10,488
Trade and bills payables	11	**255,833**	83,228
Advance receipt from customers		**20,896**	38,152
Other payables and accruals		**24,810**	26,307
Amounts due to an associate		**–**	4
Amounts due to related companies		**1,333**	386
Amounts due to directors		**5,687**	5,008
Tax payable		**17,437**	14,412
Bank overdrafts		**9,054**	9,165
Bank and other borrowings – due within one year		**157,875**	138,000
		495,713	325,150
Net current assets		**52,865**	83,667
Total assets less current liabilities		**344,820**	356,385
Non-current liability			
Bank and other borrowings – due after one year		**–**	20,000
		344,820	336,385
Capital and reserves			
Share capital		**55,125**	55,125
Reserves		**262,396**	252,252
Equity attributable to equity holders of the Company		**317,521**	307,377
Minority interests		**27,299**	29,008
		344,820	336,385

Notes:

1. GENERAL

The condensed consolidated interim financial information has been prepared in accordance with the applicable disclosure requirements set out in Appendix 16 to the Rules Governing the Listing of Securities (the "Listing Rules") on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and with the Hong Kong Accounting Standard ("HKAS") No.34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The condensed consolidated interim financial information does not include all the information and disclosure required in the annual consolidated financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2007.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated interim financial information has been prepared on the historical cost basis except for investment properties and financial instruments, which are measured at fair values, respectively, as appropriate.

The accounting policies used in the condensed consolidated interim financial information are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2007.

During the six months ended 30 June 2008, the Group has applied, for the first time, the following new and revised Hong Kong Financial Reporting Standards ("HKFRSs") (which include all HKFRSs, HKASs and Interpretations) issued by the HKICPA which are relevant to the Group and effective for the accounting periods beginning on or after 1 January 2008:

HK(IFRIC)-Interpretation ("Int") 11	HKFRS 2 – Group and Treasury Share Transactions
HK(IFRIC)-Int 12	Service Concession Arrangements
HK(IFRIC)-Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The application of the above revised Interpretations has had no material impact on the accounting policies of the Group in the condensed consolidated interim financial information.

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in the condensed consolidated interim financial information.

HKAS 1 (Revised)	Presentation of Financial Statements[1]
HKAS 23 (Revised)	Borrowing Costs[1]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[2]
HKAS 32 and HKAS 1 (Amendment)	Puttable Financial Instruments and Obligations Arising on Liquidation[1]
HKFRS 2 (Amendment)	Share-based Payments – Vesting Conditions and Cancellation[1]
HKFRS 3 (Revised)	Business Combinations[2]
HKFRS 8	Operating Segments[1]
HK(IFRIC)-Int 2 (Amendment)	Members' Shares in Co-operative Entities and Similar Instruments[1]
HK(IFRIC)-Int 13	Customer Loyalty Programmes[3]
HK(IFRIC)-Int 15	Agreements for the Construction of Real Estate[1]
HK(IFRIC)-Int 16	Hedges of a Net Investment in a Foreign Operation[4]

[1] Effective for annual periods beginning on or after 1 January 2009.
[2] Effective for annual periods beginning on or after 1 July 2009.
[3] Effective for annual periods beginning on or after 1 July 2008.
[4] Effective for annual periods beginning on or after 1 October 2008.

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, it has concluded that while the adoption of HKAS 1 (Revised) and HKFRS 8 may result in new or amended disclosures, these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

3. SEGMENT INFORMATION

For management purposes, the Group is currently organised into three (2007: two) operating divisions – automobile equipment, bus and automobile spare parts. These divisions are the basis on which the Group reports in its primary segment information.

Principal activities are as follows:

Automobile equipment	–	manufacture and sale of automobile equipment
Bus	–	manufacture and sale of buses
Automobile spare parts	–	trading of automobile spare parts

Segment information for the six months ended 30 June 2008 and 2007 is as follows:

Business segments
For the six months ended 30 June 2008

	Automobile equipment *RMB'000*	**Bus** *RMB'000*	**Automobile spare parts** *RMB'000*	**Total** *RMB'000*
TURNOVER	**105,111**	**84,779**	**109,576**	**299,466**
RESULTS				
Segment results	**8,457**	**4,320**	**4,502**	**17,279**
Unallocated corporate expenses				**(4,008)**
Unallocated other revenue				**11,860**
Interest income				**627**
Finance costs				**(7,117)**
Profit before taxation				**18,641**
Taxation				**(2,169)**
Profit for the period				**16,472**

Business segments
For the six months ended 30 June 2007

	Automobile equipment *RMB'000*	**Bus** *RMB'000*	**Total** *RMB'000*
TURNOVER	104,107	9,437	113,544
RESULTS			
Segment results	11,691	535	12,226
Unallocated corporate expenses			(2,438)
Unallocated other revenue			4,856
Interest income			1,900
Finance costs			(6,229)
Profit before taxation			10,315
Taxation			(182)
Profit for the period			10,133

4. TURNOVER

	For the six months ended 30 June	
	2008	2007
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Sale of goods	**287,369**	91,431
Revenue from construction contracts	**12,097**	22,113
	299,466	113,544

5. FINANCE COSTS

	For the six months ended 30 June	
	2008	2007
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest on bank and other borrowings wholly repayable within five years	**7,117**	6,229

6. PROFIT BEFORE TAXATION

Profit before taxation has been arrived at after charging/(crediting):

	For the six months ended 30 June	
	2008	2007
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Depreciation on property, plant and equipment	**3,524**	2,120
Amortisation on prepaid lease payments on land use rights	**485**	637
Gain on disposal of property, plant and equipment	**60**	833
Allowance for bad and doubtful debts	**1,439**	–
Increase in fair value of investment properties	**(11,860)**	–
Rental income from investment properties	**(2,423)**	(898)
Written back of allowance for bad and doubtful debts	**–**	(1,790)

7. TAXATION

	For the six months ended 30 June	
	2008	2007
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
The charge comprises:		
– PRC Enterprise Income Tax ("EIT")	**2,509**	282
– Hong Kong Profits Tax	**1,097**	–
	3,606	282
Deferred taxation		
– Current period	**(1,437)**	(100)
	2,169	182

Hong Kong Profits Tax is calculated at 16.5% on the estimated assessable profits for the period. No Hong Kong Profits Tax had been provided for the previous period as the Group had no assessable profits in Hong Kong for that period.

Except for a subsidiary, all other PRC subsidiaries are entitled to the benefit of full exemption from EIT for the first two years commencing on the profit-making year followed by 50% reduction in EIT for each of the subsequent three years.

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

8. DIVIDENDS

The Directors have resolved not to declare any interim dividend for the six months ended 30 June 2008 (2007: Nil).

9. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the Group's profit attributable to equity holders of the Company of approximately RMB18,181,000 (2007: RMB9,156,000) and the weighted average number of ordinary shares of 530,004,200 (2007: 420,769,027) in issue during the period.

The calculation of the diluted earnings per share is based on the Group's profit attributable to equity holders of the Company of approximately RMB18,181,000 (2007: RMB9,156,000) and the weighted average number of ordinary shares of 540,516,136 (2007: 446,650,493) in issue after adjusting for the effect of all dilutive potential ordinary shares during the period.

10. TRADE AND BILLS RECEIVABLES

	30 June 2008	31 December 2007
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade receivables	**169,510**	137,451
Less: Allowance for bad and doubtful debts	**(56,305)**	(54,866)
	113,205	82,585
Bills receivables	**2,558**	2,670
	115,763	85,255

The ageing analysis of trade receivables is as follows:

	30 June 2008	31 December 2007
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
0-180 days	**66,855**	56,893
181-365 days	**22,269**	6,083
1-2 years	**23,874**	19,494
Over 2 years	**207**	115
Total	**113,205**	82,585

11. TRADE AND BILLS PAYABLES

The ageing analysis of trade and bills payables is as follows:

	30 June 2008	31 December 2007
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
0-180 days	**91,795**	50,509
181-365 days	**862**	6,971
1-2 years	**3,596**	1,815
2-3 years	**3,689**	2,717
Over 3 years	**1,681**	1,253
	101,623	63,265
Bills payable	**154,210**	19,963
	255,833	83,228

MANAGEMENT DISCUSSION AND ANALYSIS

Revenue

During the period under review, the Group's turnover recorded a substantial growth by 163.7% to approximately RMB299.5 million. It was attributable to (i) the commencement of revenue stemming from Zhongda International Trading Ltd., and (ii) the contribution of revenue from Yancheng Zhongda Automobiles Equipment Co. Ltd., the new subsidiary of the Group which is engaged in the trading of automobile spare parts.

Automobile Repair and Maintenance Equipment

During the period, export sales of the Group comprising mainly automobile spray booths and car lifters were approximately RMB42.0 million, representing a slight decrease of 4.5% when compared with previous period due to increase in market price competition. The overall turnover was approximately RMB105.1 million which slightly increased by 1.0% when compared to last corresponding period. For the time being, the Group will continue to develop new products through our investment in research and development in order to retain our competitiveness. Therefore, the core business is expected to provide stable and recurring income in coming year.

Trading of Automobile Spare Parts

Yancheng Zhongda Automobiles Equipment Co. Ltd. had been established to centralize the procurement for both the Group and the Zhongda Industrial Group Corporation's ("ZIG") purchase of raw materials, parts and components from suppliers. The benefit of synergy has been realized during the period under review. The turnover of this segment was approximately RMB109.6 million. Going forward, we are planning to upgrade this platform to serve our affiliate companies (such as our Vietnam Joint-venture) and outside customers at a later stage.

Automobile (Double-Decker) Manufacturing

In the first half of 2008, Nanjing Zhongda Jinling Double-Decker Bus Manufacture Co. Ltd. has contributed revenue of approximately RMB84.8 million, accounting for approximately 28.3% of the Group's total revenue. The Group also strives to enhance the manufacturing technology in order to ensure that all our products shall comply with future environmental protection requirements. In view of the production capacity increased with the completion of the first phase of our new plant, Zhongda Jinling will further exploit the overseas market, especially double-deckers in order to match the PRC government's policy in promotion of export sales. Currently, our double-decker has been sold to Egypt, Doha and United Arab Emirates.

Vietnam Joint Venture

In response to the recent downturn of economy and substantial depreciation of currency in Vietnam, the Group has taken a prudent approach in the establishment of a joint venture for chassis and special purpose vehicle manufacturing with Vietnam Motors Industry Corporation (Vinamotor). Nevertheless, we will continue to sell complete knock-down ("CKD") commercial vehicles to Vinamotor to fulfill their market demand.

Co-operation with ZIG

On 8 April 2008, the Group signed an exclusive agency agreement with Zhongwei Bus ("Zhongwei"), pursuant to which Zhongwei appointed the Group's subsidiary as exclusive agent to sell its products in regions outside the PRC. On 24 July 2008, the Group has announced to acquire 20% shareholdings of Zhongwei. This arrangement is expected to create further synergy and provide a win-win situation to both parties. Going ahead, the Group will continue to work closely with ZIG step by step to look for further possible co-operations so that the Group's revenue stream can be enlarged.

FINANCIAL REVIEW AND LIQUIDITY

Gross Margin

As affected by of (i) the weighted average of gross profit margin of automobile manufacturing and auto parts trading business with the original automobile maintenance equipment business, (ii) the continuing increased in price of steel price and other raw materials, and (iii) dilution effect on the increase in proportion of revenue contribution from automobile manufacturing and auto parts trading business, the gross profit margin of the period has declined from 24.3% to 14.6% when compared with the same period last year.

Net Profit

Net profit reflected a growth of 62.6% up to approximately RMB16.5 million when compared with last period. The net profit margin was reduced to 5.5% from 8.9% during the period under review. Basic earnings per share for the period were RMB3.43 cents.

Liquidity

Liquidity as measured by current ratio (defined as "Current Asset/Current Liabilities") with a ratio of 1.1x during the period was considered as acceptable. Regarding the current assets, approximately 28.7% were cash and bank deposit. This level was considered as sufficient.

Leverage

Net gearing ratio (defined as "Total bank debts – Cash available/Total Net Worth") was improved to 0.03x in the period from 0.23x as at 31 December 2007. The Group will take effort to retain its leverage at a satisfactory level.

As at 30 June 2008, cash and bank balances of the Group amounted to approximately RMB157,656,000 (31 December 2007: RMB89,841,000). Cash is mainly denominated in Renminbi. There was no long term loan (31 December 2007: RMB20,000,000) and the short term bank loans was amounted to approximately RMB166,929,000 (31 December 2007: RMB147,165,000) which representing an increase of approximately RMB19,764,000.

The interest rates of bank borrowings ranged between 6.36% and 8.96% per annum (31 December 2007: between 6.90% and 8.75%). The collaterals provided for these bank borrowings mainly comprised certain land use rights and buildings of the subsidiaries of the Group. The revenue of the Group was mainly denominated in Renminbi and US Dollar, and the borrowings were mainly settled in Renminbi. The directors are of the view that since the exchange rate between Renminbi and US Dollar is relatively stable, there is no significant risk in relation to foreign exchange fluctuation.

Assets

As at 30 June 2008, the net asset value of the Group amounted to approximately RMB344,820,000 (31 December 2007: RMB336,385,000), representing an increase of approximately 3.7%. Net current assets amounted to approximately RMB52,865,000 (31 December 2007: RMB83,667,000), an decrease of approximately RMB30,802,000 from last year.

PROSPECT

In recent years, the PRC government has implemented a series of policies to support the automobile industry and encourage development of vehicle export (especially domestic brand), auto parts and the automobile after-sales-service industry. We will continue to ride on this tide by continuing adjust our business and operation strategies in response to the ever-changing environment in order to maximize the Group's profit.

The recent global economic turmoil triggered by US subprime mortgage would definitely affect all sectors in coming years. Nevertheless, we expect the demand for commercial vehicles was less affected especially in emerging markets including Africa, the Middle East, South America, Eastern Europe and Asia. The Group will continue to develop and explore our business in these areas. Recently we have concluded bulk sales orders of coaches to Egypt, Russia and Algeria. We will replicate our Vietnam business model when individual countries environment become favourable.

Looking ahead, the Group will ride on our brand to push forward the strategy of active expansion with steady growth and seek to capture more new business opportunities. Thereby, it will consolidate our leadership in the PRC automobile repair and maintenance equipment manufacturing industry and generate satisfactory return to our stakeholders.

EMPLOYEE REMUNERATION POLICIES

As at 30 June 2008, the Group employed a total of 1,300 (31 December 2007: 1,300) 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 SECURITIES

Neither the Company nor its subsidiaries had purchased, sold and redeemed any of the Company's listed securities during the six months ended 30 June 2008.

COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE PRACTICES

In the opinion of the Directors, the Company has complied with the code provisions as set out in the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 to the Listing Rules during the six months ended 30 June 2008, except for deviation as below:

E.1.2: Members of audit committee of the Company had not attended the annual general meeting of the Company held on 27 May 2008 because of their business engagements. The directors present thereat conducted the meeting in a duly constituted and proper manner.

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by directors (the "Code of Conduct") on terms no less exacting than the required standard of the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules.

Having made specific enquiry with all Directors, each of whom has confirmed compliance with the required standard set out in the Code of Conduct throughout the period ended 30 June 2008.

AUDIT COMMITTEE

The Company established an audit committee with terms of reference no less exacting than the required standard as set out in the code provisions of the CG Code. 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 three members comprising all the independent non-executive directors of the Company. The unaudited consolidated results of the Group for the six months ended 30 June 2008 have been reviewed by the Company's auditors and the audit committee of the Company respectively.

REMUNERATION COMMITTEE

The Company established a remuneration committee with terms of reference no less exacting than the required standard as set out in the code provisions of the CG Code. The primary duties of the remuneration committee are to review and make recommendation for the remuneration policy of the directors and senior management. The remuneration committee comprises two independent non-executive directors, Mr. Gu Yao Tian and Mr. Li Xinzhong, and one executive director, Mr. Zhang Yuqing.

By Order of the Board
Xu Lian Guo
Chairman

Hong Kong, 23 September 2008

As at the date hereof, the Board comprises Messrs. Xu Lian Guo, Xu Lian Kuan, Zhang Yuqing and Kwok Ming Fai as executive directors, and Messrs. Gu Yao Tian, Sun Ka Ziang Henry and Li Xinzhong as independent non-executive directors of the Company.

* *For identification purpose only*