

Chairman's Statement



Zhongda International has developed rapidly in the past year, bringing considerable growth by various technical economic measures over a year before. The company, which achieved breakthroughs in corporate structure and new products development, was successfully listed on the Stock Exchange of Hong Kong during the year under review. The extensive support to Zhongda International's initial public offering demonstrated that the Company's approach of focusing on the development of automobile equipment in China has been well recognized in the capital market.

China's automobile industry has been enjoying a faster pace of growth than the rest of the world despite its relatively late development. Zhongda International, one of world top 500 companies in automobile equipment and industrial painting and coating, registered turnover of RMB180,220,000 for last year, an increase of 11.72%. It earned a profit of RMB33,511,000, a growth of 47.56%. Zhongda International's overseas sales was also in the rising trend with the sales rose 115.0% to approximately US\$4 million. On new product development, the just-launched full automated computerized car wash machine recorded sales of 31 units, representing a rise of 10.71%. The results underpin the fact that the year of 2001 was a growth and development year for Zhongda International.

1. Steady Growth of Principal Businesses

Zhongda International is principally engaged in the manufacturing and sales of equipment for the repair, maintenance, and testing of automobiles, and of the industrial painting and coating equipment. Last year, the Group strove to keep its high market share and leading position in the automobile repair and testing equipment industry. Meantime, it highlighted the development of the industrial painting and coating business through enhancing the design and development system and strengthening co-operation with domestic and overseas industrial painting and coating design institutes. Base on the needs and interests of its clients, the Company bettered its design, improved its craftsmanship, and lowered the clients' costs in using the products. The Company's efforts in widening its client base and expanding its markets rose the industrial painting and coating business's share in the Company's total operating income by 5.61% to 5.84%, lifting the Group's profitability.

2. Overseas Markets Expansion Yields Good Results

Zhongda International's products entered into the international market since 1996. After six years' proof of their quality, the products were credited the USA ETL certificate and the European Union's CE certificate, and were specified as component



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products for the after-sale services of Germany's Mercedes-Benz. Zhongda International successfully sold its products to nearly 20 overseas countries and regions including the U.S., Japan and Germany. Especially, Zhongda International won spectacular achievements in developing the U.S. market. Through co-operation with professional sales agents in the nation, Zhongda International's products were sold in more than 30 states in the U.S. Last year, sales in the U.S. rose 147.48% while product variety being sold grew from a single product to a series of product.



3. Remarkable Results in New Product Development

Zhongda International has deployed well-planned strategies to develop its market in order to grow its business. The Company's new products, including fully automated computerized car wash machines, flow processing fully automated computerized washing machines, multi-purposes lifters, vehicle lighting and exhaust testing instruments, were well-received by the users, which

accelerated sales growth. Meantime, sales of automobile lifters and car wash machine grew rapidly following technical and functional improvements. These products own huge development potential, leaving much room for Zhongda International to grasp its market share in the markets. To fully utilize Zhongda International's existing resources in new product development, the Company has co-operated with a number of science research centers and institutes. International advance technology was adopted and new product development mechanism was improved, which significantly strengthened Zhongda International's capacity in product research and development.

4. Improve Market Network

To co-ordinate Zhongda International's development in both domestic and overseas markets, the Group introduced comprehensive changes and adjustments to its sales units and systems, its sales capability and the after-sales services. Remarkable achievements have been made in stabilizing its basic clients, developing new client sources and expanding target users. The Group was particularly successful in strengthening its relationship with major clients in well-developed regions, major cities, and in the car manufacturing industry. So far, it has established stable long-term co-operation relationship with over 300 domestic clients. Meantime, Zhongda International has actively developed its distribution business.



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Outlook

The Group will strengthen its business in five areas, highlighting the major businesses for full-scale development. (1) stabilizing growth in automobile repair, maintenance, and testing equipment business, with focus on the development of testing equipment business; (2) actively develop industrial painting and coating business, from existing users in mechanical, home appliance, military industries to explore users in electronic products industry; (3) speed up the development of wash equipment business and to seek international co-operation to upgrade its technology level. Diversify its wash business from existing car washing; (4) extend efforts in international markets development and to form a series of products for international sales; (5) improve effectiveness in new product development - basing on the development of the car industry in China to develop more automobile equipment products and to participate in globalization in automobile parts procurement.



On the back of the prospect of rapid development of the car industry in China, the Board and the management are fully confident that Zhongda International will do its utmost and exercise its innovation to face future challenges in its continuing development of the car industry in China.

Appreciation

On behalf of the Board, I would like to extend my sincere appreciation to all our shareholders, our staff, our clients and those who has given support to Zhongda International.