

Chairman's Statement



The turnover and the consolidated net profit attributable to shareholders of the Group for the year ended 31st December, 2003 were approximately RMB228,000,000 and HK\$11,000,000, representing a substantial increase of approximately 31.2% and 144% when compared with 2002. The increase is attributable to the Group's direct business relationship with large-scale automobile manufacturers and the success of its focused marketing strategy and strict cost control measures. In addition, the overall sales performance of the Group's core business, including the automobile maintenance equipment business, is boosted by the robust automobile market.

The Board of Directors do not recommend the payment of a final dividend for the year ended 31st December, 2003 (2002: Nil).

As the consolidation of the automobile maintenance equipment market in China is almost completed and the Group successfully established direct business relationship with large-scale automobile manufacturers, the performance of the Group obviously improved during the year. Although the Group's gross margin during the year decreased to approximately 30.1%, the Group managed to further control the spending of different production departments and domestics and overseas marketing departments and reverse the provisions on bad and doubtful debts, thus, the Group's net margin increased substantially from approximately 2.7% in 2002 to approximately 5% in 2003.

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As at the end of the year, the Group's cash on hand maintained at a healthy level of RMB46,000,000.

During the year, the Group's 3 investment projects in the Yancheng Economic Development Zone of Jiangsu Province in China included the plants for the production lines for painting and coating, the production line for car wash system and a line for the production of export-oriented lacquer rooms, or automobile lifters which can cater for the needs of the Beijing Olympic Games. The Board of Directors believes that the projects can further increase the overall production capacity and sales of the Group.

PROSPECT

Looking ahead in the year 2004, with the continuous growth of the overall economy of China and the completion of the consolidation of the domestic automobile maintenance market, it is believed that the development of the overall market will become healthier.

After a market consolidation period of more than one year, some relatively small-scale automobile maintenance centers have gradually eliminated and the Group's major clients are also mostly maintenance centers which are directly operated by the automobile manufacturers. The restructuring of the market allowed the Group to concentrate on the mass production of higher end products. The Group will continue to launch products with high additional value and high gross margin, in order to increase its profitability. Meanwhile, by enhancing its sales capability, the Group endeavours to increase its sales to achieve economies of scale. The Group will also further reduce cost to increase its competitiveness.



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In order to develop the potentially huge automobile market in China and strengthen its leading position in the automobile maintenance equipment industry, the Group will announce its investment in the automobile manufacturing business, which is the first step of the Group to further expand from its automobile maintenance equipment business to the downstream automobile manufacturing business. The new business not only helps broaden the Group's source of income and profit base in future, but also creates synergy with its existing automobile maintenance equipment business.

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 have given support to Zhongda International.

Xu Lian Guo

Chairman

20th April, 2004