



Zhongda International Holdings Limited
中大國際控股有限公司

(Incorporated in Bermuda with limited liability)



2005 Interim Report





INTERIM RESULT (UNAUDITED)

The board of directors (the "Directors") of Zhongda International Holdings Limited (the "Company") is pleased to present the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30th June, 2005 together with the comparative figures for the corresponding period of 2004. The unaudited consolidated results of the Group for the six months ended 30th June, 2005 have not been reviewed by the Company's auditor but have been reviewed by the audit committee of the Company.

CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE SIX MONTHS ENDED 30TH JUNE, 2005

	Notes	Six months ended 30th June,	
		2005 (Unaudited) RMB'000	2004 (Unaudited) RMB'000
Turnover	6	104,623	110,511
Cost of sales		(70,319)	(72,743)
Gross profit		34,304	37,768
Other income		3,367	519
Distribution costs		(8,458)	(11,280)
Administrative and other operating expenses		(16,044)	(13,084)
Profit from operations		13,169	13,923
Finance costs		(3,493)	(2,294)
Profit before taxation	8	9,676	11,629
Income tax expenses	9	(2,200)	(4,314)
Net profit for the period		7,476	7,315
Attributable to:			
Shareholders of the parent		7,429	6,855
Minority interests		47	460
		7,476	7,315
Dividends	10	–	–
Earnings per share	11		
– Basic		RMB0.019	RMB0.017
– Diluted		Not Applicable	Not Applicable



CONDENSED CONSOLIDATED BALANCE SHEET
AS OF 30TH JUNE, 2005

	<i>Notes</i>	30th June, 2005 (Unaudited) <i>RMB'000</i>	31st December, 2004 (Audited and restated) <i>RMB'000</i>
Non-current assets			
Property, plant and equipment	12	186,521	188,153
Lease prepayments on land use rights		21,283	21,809
Goodwill		12,254	12,254
Available-for-sale financial assets		1,048	1,048
Held-to-maturity financial assets		53	53
Interests in associate		110	–
Deferred tax assets		13,451	12,331
		234,720	235,648
Current assets			
Inventories		66,003	55,097
Trade receivables	13	122,935	107,034
Prepayment and other receivables		21,819	26,888
Lease prepayments on land use rights		1,052	1,052
Amounts due from related companies		5,194	1,217
Cash and bank balances		32,342	31,830
		249,345	223,118



	30th June, 2005 (Unaudited)	31st December, 2004 (Audited and restated)
<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
Current liabilities		
Trade payables	66,559	52,791
Advance receipt from customers	7,353	12,998
Other payables and accruals	72,605	65,547
Amounts due to related companies	6,620	8,390
Amounts due to directors	2,273	1,530
Taxes payable	16,217	12,898
Bank borrowings	110,160	112,710
	281,787	266,864
Net current liabilities	(32,442)	(43,746)
Total assets less current liabilities	202,278	191,902
Non-current liabilities		
Bank borrowings	2,900	–
	199,378	191,902
Financed by:		
Share capital	42,386	42,386
Reserves	132,351	124,922
Equity attributable to shareholders of the parent	174,737	167,308
Minority interests	24,641	24,594
Total equity	199,378	191,902



**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30TH JUNE, 2005**

	Six months ended 30th June, 2005 (Unaudited)								
	Share capital	Share premium	Reserve fund	Enterprise expansion fund	Exchange reserve	Retained profits	Total equity attributable to shareholders of the parent	Minority interests	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balances as of 1st January, 2005	42,386	17,073	2,720	2,720	(25)	102,434	167,308	24,594	191,902
Net profit for the period	-	-	-	-	-	7,429	7,429	47	7,476
Balances as of 30th June, 2005	<u>42,386</u>	<u>17,073</u>	<u>2,720</u>	<u>2,720</u>	<u>(25)</u>	<u>109,863</u>	<u>174,737</u>	<u>24,641</u>	<u>199,378</u>

	Six months ended 30th June, 2004 (Unaudited)								
	Share capital	Share premium	Reserve fund	Enterprise expansion fund	Exchange reserve	Retained profits	Total equity attributable to shareholders of the parent	Minority interests	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balances as of 1st January, 2004	42,386	17,073	2,720	2,720	(25)	89,633	154,507	16,070	170,577
Net profit for the period	-	-	-	-	-	6,855	6,855	460	7,315
Translation difference	-	-	-	-	30	-	30	-	30
Balances as of 30th June, 2004	<u>42,386</u>	<u>17,073</u>	<u>2,720</u>	<u>2,720</u>	<u>5</u>	<u>96,488</u>	<u>161,392</u>	<u>16,530</u>	<u>177,922</u>



CONDENSED CONSOLIDATED CASH FLOW STATEMENT
FOR THE SIX MONTHS ENDED 30TH JUNE, 2005

	Six months ended 30th June,	
	2005	2004
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Net cash generated from operating activities	2,226	5,081
Net cash used in investing activities	(2,064)	(30,493)
Net cash generated from financing activities	350	31,000
Net increase in cash and cash equivalents	512	5,588
Cash and cash equivalents, beginning of period	31,830	45,803
Cash and cash equivalents, end of period	32,342	51,391
Analysis of the components of cash and cash equivalents:		
Cash and bank balances	32,342	51,391



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30TH JUNE, 2005

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. BASIS OF PREPARATION

The condensed financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by Hong Kong Institute of Certified Public Accountants ("HKICPA").

3. PRINCIPAL ACCOUNTING POLICIES

The condensed financial statements have been prepared under the historical cost convention except for certain financial instruments, which are measured at fair values.

The accounting policies used in the condensed financial statements are consistent with those adopted in the preparation of the Group's annual financial statements for the year ended 31st December, 2004, except as described below.

In the current period, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as "new HKFRSs") issued by HKICPA that are effective for accounting periods beginning on or after 1st January, 2005. The application of the new HKFRSs has resulted in a change in the presentation of the income statement, balance sheet and the statement of changes in equity. In particular, the presentation of minority interests has been changed. The changes in presentation have been applied retrospectively. The adoption of the new HKFRSs has resulted in changes to the Group's accounting policies in the following areas that have an effect on how the results for the current or prior accounting periods are prepared and presented.

Business Combinations

In the current period, the Group has applied HKFRS 3 "Business Combinations" which is effective for business combinations for which the agreement date is on or after 1st January, 2005. The principal effects of the application of HKFRS 3 to the Group are summarised below:

Goodwill

In previous periods, goodwill arising on acquisitions was capitalised and amortised over its estimated useful life. The Group has applied the relevant transitional provisions in



HKFRS 3. With respect to goodwill previously capitalised on the balance sheet, the Group has discontinued amortising such goodwill from 1st January, 2005 onwards and goodwill will be tested for impairment at least annually and in the financial year in which the acquisition takes place. Goodwill arising on acquisitions after 1st January, 2005 is measured at cost less accumulated impairment losses (if any) after initial recognition. As a result of this change in accounting policy, no amortisation of goodwill has been charged in the current period. Comparative figures for 2004 have not been restated.

Financial instruments

In the current period, the Group has applied HKAS 32 "Financial Instruments: Disclosure and presentation" and HKAS 39 "Financial Instruments: Recognition and Measurement". HKAS 32 requires retrospective application and HKAS 39, which is effective for annual periods beginning on or after 1st January, 2005, generally does not permit the recognition, derecognition or measurement of financial assets and liabilities on a retrospective basis. The principal effects resulting from the implementation of HKAS 39 are as follows:

Classification and measurement of financial assets and financial liabilities

The Group has applied the relevant transitional provisions in HKAS 39 with respect to classification and measurement of financial assets and financial liabilities that are within the scope of HKAS 39.

By 31st December, 2004, the Group classified and measured its debt and equity securities in accordance with the benchmark treatment of Statement of Standard Accounting Practice 24 ("SSAP 24"). Under SSAP 24, investments in debt or equity securities are classified as "investment securities", "other investments" or "held-to-maturity investments" as appropriate. "investment securities" are carried at cost less impairment losses (if any) while "other investments" are measured at fair value, with unrealised gains or losses included in the profit or loss. Held-to-maturity investments are carried at amortised cost less impairment losses (if any). From 1st January, 2005 onwards, the Group classifies and measures its debt and equity securities in accordance with HKAS 39. Under HKAS 39, financial assets are classified as "financial assets at fair value through profit or loss", "available-for-sale financial assets", "loans and receivables", or "held-to-maturity financial assets". The classification depends on the purpose for which the assets are acquired. "financial assets at fair value through profit or loss" and "available-for-sale financial assets" are carried at fair value, with changes in fair values recognised in profit or loss and equity respectively. "Loans and receivables" and "held-to-maturity financial assets" are measured at amortised cost using the effective interest method.



On 1st January, 2005, the Group classified and measured its debt and equity securities in accordance with the requirements of HKAS 39. The Group reclassified its investment securities as available-for-sale financial assets and held-to-maturity financial assets. This change has had no material effect on the results for the current or prior periods (see note 4 for the financial impact).

Financial assets and financial liabilities other than debt and equity securities

From 1st January, 2005 onwards, the Group classifies and measures its financial assets and financial liabilities other than debt and equity securities in accordance with the requirements of HKAS 39. Financial assets under HKAS 39 are classified as “financial assets at fair value through profit or loss”, “available-for-sale financial assets”, “loans and receivables” or “held-to-maturity financial assets”. Financial liabilities are generally classified as “financial liabilities at fair value through profit or loss” or “financial liabilities other than financial liabilities at fair value through profit or loss (other financial liabilities)”. “Other financial liabilities” are carried at amortised cost using the effective interest method. This change has had no material effect on the results for the current or prior periods.

Owner-occupied Leasehold Interest in Land

In previous periods, owner-occupied leasehold land and buildings were included in property, plant and equipment and measured using the revaluation model. In the current period, the Group has applied HKAS 17 “Leases”. Under HKAS 17, the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification, unless the lease payments cannot be allocated reliably between the land and buildings elements, in which case, the entire lease is generally treated as a finance lease. To the extent that the allocation of the lease payments between the land and buildings elements can be made reliably, the leasehold interests in land are reclassified to lease prepayments on land use rights under operating leases, which are carried at cost and amortised over the lease term on a straight-line basis. This change in accounting policy has been applied retrospectively (see note 4 for the financial impact). Alternatively, where the allocation between the land and buildings elements cannot be made reliably, the leasehold interests in land continue to be accounted for as property, plant and equipment.



4. SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES

The effects of changes in the accounting policies described above on the condensed consolidated income statement for the current and prior periods are as follows:

	Six months ended 30th June,	
	2005	2004
	HK\$'000	<i>HK\$'000</i>
Decrease in amortisation of goodwill	613	–
Increase in profit for the period	613	–

The effects of changes in the accounting policies described above on the condensed consolidated balance sheet as at 31st December, 2004 are as follows:

	As at		As at
	31st December,		31st December,
	2004	Effect of	2004
	(Originally	HKAS 17	(Restated)
	stated)	HK\$'000	(Restated)
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Property, plant and equipment	211,014	(22,861)	188,153
Lease prepayments on land use rights	–	22,861	22,861
Investments in securities	1,101	(1,101)	–
Available-for-sale financial assets	–	1,048	1,048
Held-to-maturity financial assets	–	53	53
Total effects on assets and liabilities	<u>212,115</u>	<u>–</u>	<u>212,115</u>



5. POTENTIAL IMPACT ARISING ON THE NEW ACCOUNTING STANDARDS NOT YET EFFECTIVE

The Group has not early applied the following new HKFRSs that have been issued but are not yet effective. The directors of the Company anticipate that the application of these new HKFRSs will have no material impact on the financial statements of the Group.

HKAS 19 Amendment	Actuarial Gains and Losses, Group Plans and Disclosures
HKAS 39 Amendment	The Fair Value Option
HKFRS-Int 4	Determining whether an Arrangement contains a Lease

6. TURNOVER

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

	Group	
	30th June, 2005 (Unaudited) RMB'000	30th June, 2004 (Unaudited) RMB'000
Sales of goods	92,320	78,505
Revenue from construction contracts	12,303	32,006
Total Turnover	104,623	110,511

7. 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	
	Six months ended 30th June,					
	2005 (Unaudited) RMB'000	2004 (Unaudited) RMB'000	2005 (Unaudited) RMB'000	2004 (Unaudited) RMB'000	2005 (Unaudited) RMB'000	2004 (Unaudited) RMB'000
REVENUE						
External sales	88,216	110,511	16,407	–	104,623	110,511
RESULTS						
Segment results	17,363	16,787	(3,388)	–	13,975	16,787
Interest income and unallocated income					3,367	519
Unallocated corporate expenses					(4,173)	(3,383)
Profit from operations					13,169	13,923
Finance costs					(3,493)	(2,294)
Income tax expenses					(2,200)	(4,314)
Net profit for the period					7,476	7,315

8. PROFIT BEFORE TAXATION

Profit before taxation is determined after charging/(crediting) the followings:

	Six months ended 30th June, 30th June, 2005 (Unaudited) RMB'000	30th June, 2004 (Unaudited and restated) RMB'000
Depreciation	3,617	1,202
Amortisation of lease prepayments on land use rights	526	325
Interest expense on bank borrowings	3,493	2,294
Gain on disposal of property, plant and equipment	(31)	(42)
Net rental income	(500)	–
Staff costs	8,640	8,248



9. INCOME TAX EXPENSES

	Six months ended 30th June,	
	2005 (Unaudited) RMB'000	2004 (Unaudited) RMB'000
Current income taxes		
– Hong Kong	–	–
– PRC	3,320	4,314
– USA	–	–
Deferred taxation		
– PRC income taxes	(1,120)	–
	2,200	4,314

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

In accordance with relevant tax laws and regulations, the subsidiaries of the Group established in the PRC are subject to EIT at rates ranging from 0-33% and are entitled to full exemption from EIT for the first two years and a 50% reduction for the next three years, commencing from the first profitable year after offsetting available tax losses carried forward from the previous five years.

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

10. DIVIDENDS

The directors resolved not to declare any interim dividend for the six months ended 30th June, 2005 (six months ended 30th June, 2004: nil)



11. EARNINGS PER SHARE

The calculation of earnings per share was based on the consolidated net profit of approximately RMB7,429,000 (six months ended 30th June, 2004: approximately RMB6,855,000) and the weighted average number of 400,004,000 shares (six months ended 30th June, 2004: 400,004,000 deemed shares) in issue during the period.

No diluted earnings per share is presented for both six months ended 30th June, 2005 and 2004 as the outstanding potential ordinary shares are anti-dilutive.

12. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent approximately RMB2,453,000 on acquisition of property, plant and equipment (six months ended 30th June, 2004: approximately RMB30,868,000).

13. TRADE RECEIVABLES

	30th June, 2005 (Unaudited) RMB'000	31st December, 2004 (Audited) RMB'000
Accounts receivable	155,327	139,426
Less: Provision for doubtful debts	(32,576)	(32,576)
	122,751	106,850
Bills receivable	184	184
	122,935	107,034

Trade receivable, which have credit terms pursuant to the provisions of the relevant contracts, are recognised and carried at invoiced amount. Apart from the amounts withheld by customers according to the terms of contracts pending the satisfactory performance of the equipment sold, the Group generally allows a credit period to its customers ranging from three to six months.



Ageing analysis for trade receivables after provision for doubtful debts is as follows:

	30th June, 2005 (Unaudited) RMB'000	31st December, 2004 (Audited) RMB'000
Within six months	64,136	52,941
Between seven to twelve months	21,829	24,643
Between one to two years	25,028	20,955
More than two years	2,877	3,905
	113,870	102,444
Retention receivable	8,881	4,406
	122,751	106,850

14. TRADE PAYABLES

Ageing analysis of trade payables is as follows:

	30th June, 2005 (Unaudited) RMB'000	31st December, 2004 (Audited) RMB'000
Within one year	46,389	43,007
Between one to two years	7,971	760
Between two to three years	5,046	3,063
More than three years	7,153	5,961
	66,559	52,791



15. RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control or exercise significant influence over the other party in making financial and operation decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

Transactions with related companies

	Six months ended 30th June,	
	2005	2004
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Transactions with Zhongda Industrial Group Corporation, in which the Chairman of the Group has a controlling interest		
– Service fee (a)	375	375
– Patent fee (b)	100	100
– Trademark fee (c)	75	75
– Rental of office premises (d)	50	50
Transaction with Yancheng Celette Body Repairing Equipment Co. Ltd (“Yancheng Celette”), in which the Chairman of the Group has significant influence		
– Purchase of products (e)	4,580	6,419
– Sales of products and raw materials (f)	1,416	1,235
Transactions with Yancheng Zhongwei Bus Manufacturing Co., Ltd. (“Zhongwei Bus”), in which the Chairman of the Group has a controlling interest		
– Sales of products (e)	–	14,530
– Sales of raw materials (f)	19	49
– Rental income (e)	500	–

- (a) Pursuant to an integrated services agreement dated 31st August, 2001, the annual fee for integrated services provided by Zhongda Industrial Group Corporation to the Group is RMB750,000, determined on the basis of the relevant fee fixed by the National Price Bureau, or market price if there is no applicable fee fixed by the National Price Bureau for any such services. The agreement is for a term of ten years commencing from 31st August, 2001.



- (b) Pursuant to a patent agreement dated 31st August, 2001, Zhongda Industrial Group Corporation and one of the directors of the Company granted to the Group an exclusive right to use certain patents at an annual fee of RMB200,000 for periods commencing from 31st August, 2001 to expiry of the patent certificate of the relevant patents.
- (c) Pursuant to a trademark agreement dated 31st May, 2001, Zhongda Industrial Group Corporation granted to the Group an exclusive right to use certain trademarks at an annual fee of RMB150,000. The agreement is for a term of ten years commencing from 31st August, 2001.
- (d) Pursuant to an office license agreement dated 31st May, 2001, the rental of office premise is charged at a rate of RMB100,000 per annum for a period of five years commencing from 1st June, 2001.
- (e) Purchases from Yancheng Celette, sales to Zhongwei Bus and rental income from Zhongwei Bus were at the prevailing market price.
- (f) The prices were determined based on the actual cost of production plus a profit margin ranging from approximately 0-5% in respect of sales of raw materials to Yancheng Celette and Zhongwei Bus.

Balances with related companies

Included in the balance sheet are the following balances with related companies, in which the Chairman of the Group has a controlling interest:

	30th June, 2005 (Unaudited) RMB'000	31st December, 2004 (Audited) RMB'000
Due from/(to) Yancheng Celette	3,459	(2,370)
Due to Zhongda Industrial Group Corporation	(6,620)	(6,020)
Due from Zhongwei Bus	1,735	1,217
	(1,426)	(7,173)



16. CAPITAL COMMITMENTS

At the balance sheet date, the Group had the commitments of capital expenditure as follows:

	30th June, 2005 (Unaudited)	31st December, 2004 (Audited and restated)
	<i>RMB'000</i>	<i>RMB'000</i>
Acquisition of buildings for production purpose: Contracted but not provided for in the financial statements	8,790	8,790
Investment in sino-foreign equity joint venture: Contracted but not provided for in the financial statements	5,581	6,101
	14,371	14,891

17. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current period's presentation.



BUSINESS REVIEW

The Group's profit for the first half of 2005 increased despite a decline of business, this was mainly due to: 1. The Group's export sales continued to grow steadily in the first half of the year; 2. Performance of the Group's inspection equipment remained stable with a modest gain, for example, lifters recorded a slight growth in sales.

The operating environment of the first half of 2005 was relatively tough and the Group encountered various difficulties in its operation. Prices of raw materials such as steel and petroleum continued to surge during the first half of the year and led to a considerable drop in sales of sedan, which in turn affecting the sales of automobile maintenance equipment to a certain extent. As credit has been tightened following the macro regulatory measures implemented by the PRC Government, the purchasing power was also weakened. All of the above-mentioned factors affected the sales of automobile maintenance and inspection equipment.

In view of the above, the Group has adopted various measures to improve the operation of the Company which are briefed as follows. The Group will enhance the ancillary services of automobile factories and we have made some achievements in this area. Over 90% of the automobile manufacturers have chosen "Zhongda Products" for their after-sales services. The Group has also strengthened communication with customers who have bought Zhongda products in order to retain them. The Group will also boost the development of new products, such as multi-purpose lifters, inspection equipment and economic lacquer rooms. Moreover, it will further improve internal management, reduce costs and expenses, strictly control management costs and costs of sales in order to maintain its gross profit margin at a level similar to that of previous year. In respect of sales, the Group will further strengthen export sales. Zhongda has established specialized outlets in the east, west and central regions of the United States to conduct sales of Zhongda products through dealers.

The two companies namely Nanjing Zhongda Jinling Double-Decker Bus Manufacture Company Limited ("Zhongda Jinling") and Sichuan Zhongda Emei Coach Manufacturing Limited ("Zhongda Emei") acquired by the Group last year were undergoing further internal consolidation to enhance production capacities.



Zhongda Jinling

The Group is actively working on market expansion, new products development and improvement of its production capacities. Before being acquired by the Group in 2004, Zhongda Jinling's annual sales were 17 million. The Group is embarking on strengthening the works by way of 1. Put more effort on market development aiming at public transport business in big cities, particularly those focal cities like Beijing, Shanghai, Xian, Kumming, etc. 2. For new products, Zhongda Jinling will focus on the development of new multi-fuel buses that can use LPG, gasoline and electricity. 3. Expand Zhongda Jinling's annual production capacity to 2,000 buses from its original 500 buses. Sales orders of Zhongda Jinling in the first half of the year was over 70 million.

Zhongda Emei

Zhongda Emei is currently exploring the market and working on product development after being acquired by the Group.

FINANCIAL REVIEW

For the six months ended 30th June, 2005, the Group's turnover was approximately RMB104,623,000 representing a decrease of 5.33% as compared with the corresponding period in 2004. The Group's net profits attributable to shareholders amounted to approximately RMB7,429,000 (six months ended 30th June, 2004: RMB6,855,000) representing an increase of 8.37% when compared with the corresponding period in 2004.

During the period under review, the basic earnings per share has increased by 0.12 times to RMB0.019 (six months ended 30th June, 2004: RMB0.017).

INTERIM DIVIDEND

The Directors resolved not to declare any interim dividend for the six months ended 30th June, 2005 (six months ended 30th June, 2004: nil).

LIQUIDITY AND FINANCIAL RESOURCES

As at 30th June, 2005, the shareholders' funds of the Group amounted to RMB174,737,000 (31st December, 2004: RMB167,308,000).

As at 30th June, 2005, the Group had bank balances and cash of RMB32,342,000 (31st December, 2004: RMB31,830,000). The Group's bank loans amounted to RMB113,060,000 (31st December, 2004: RMB112,710,000).



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, 2005, the debt to equity ratio of the Group was 64.7% (31st December, 2004: 67.4%). 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 LIABILITIES

As at 30th June, 2005, the Group had no material contingent liabilities.

MATERIAL ACQUISITIONS AND DISPOSALS

There were no material acquisitions and disposals of subsidiaries and associated companies during the six months ended 30th June, 2005.

CHARGES ON ASSETS

The Group's bank borrowings were secured by a charge on certain land use rights and buildings held by the Group with a total book value of approximately RMB97,588,000 (31st December, 2004: approximately RMB99,946,000).

PROSPECT

The Group is very confident in the future development of Zhongda. Both operating revenue and earnings are expected to have excellent performance. In future, Zhongda's core development will be on "Expansion", "Strengthening" and "Development".

1. "Expansion". Zhongda has been focusing on and shifting to automobile manufacturing business after its acquisition of Zhongda Jinling and Zhongda Emei. Taking advantage of the current development opportunity in automobile manufacturing industry Zhongda expands its market actively, enabling Nanjing Zhongda Jinling to maintain over 90% share in the super double-deck city bus market and Sichuan Zhongda Emei to become a major manufacturer of buses traveling in the mountainous area of southwest China. We aim to further uplift our output by upgrading the production workshop and installing the most advanced production equipment.



2. "Strengthening". Including automobile repairing and maintenance equipment, manufacturing equipment with focus on developing inspection equipment, multi-purpose lacquer rooms and expanding production capacity of lifters. Last year, our manufacturing factory and equipment of automobile lifters were further expanded. We aim at ensuring the output of automobile lifter to reach 4,000 units this year and 7,000 units next year. Moreover, we also plan to boost export sales. In addition to exporting automobile maintenance products to major developed countries, we will focus on export to those less developed and developing countries to extend our sales to 50 to 60 countries and regions.
3. Great effort will be put on developing products for automobile after-sale market. Automobile after-sale market is generally the focus of automobile manufacturing industry in the world. According to statistics, automobile manufacturing accounted for 30% of the value of automobile industry while after-sale market accounted for 70%. The potential of this market segment is huge and Zhongda's automobile repairing and inspection equipment fall into this automobile after-sale product category. Zhongda's inspection equipment and automobile equipment are among those products encouraged by the PRC Government through three measures which encourage 1. the development of commercial vehicles; 2. the development of automobile parts and components; 3. the development of automobile after-sales market. In future, we also plan to focus on developing car washing equipment (we are in cooperation with Ceccato s.p.a of Italy).
4. Further reinforcing management and expanding capacity and saving costs by way of "double increase" and "double consolidation" with an aim to enhance earnings and saving resources. We are dedicated to reduce costs and expenses in order to increase gross profit margin.

We determine to grasp the golden development opportunity to expand and strengthen Zhongda so as to reward our investors with great earnings.

EMPLOYEE REMUNERATION POLICIES

As at 30th June, 2005, the Group employed 1,216 (31st December, 2004: 1,200) 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.



DIRECTORS' RIGHTS TO ACQUIRE SHARES IN THE COMPANY

The Company has a share option scheme (the "Scheme"), under which it may grant options to employees (including executive directors) of the Company and its subsidiaries to subscribe for ordinary shares in the Company. The Scheme was refreshed by a ordinary resolution passed in the Annual General Meeting held on 24th June, 2004 to authorise the directors to grant further options under the Scheme provided that the total number of shares which may be issued upon exercise of options to be granted under the Scheme on or after 24th June, 2004 shall not exceed 10% of the aggregate nominal amount of the share capital of the Company in issue as at 24th June, 2004. As of 30th June, 2005, no share option has been granted since the adoption of the share option scheme. Other than disclosed above, at no time during the six months ended 30 June, 2005 was the Company, its holding company and any of its subsidiaries a party to any arrangements to enable the directors of the Company, their respective spouses or their children under the age of 18 to acquire benefits by means of the acquisition of shares in, or debentures of, the Company and any other body corporate.

DIRECTORS' INTERESTS IN SHARES

As at 30th June, 2005, the interests of the directors of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Future Ordinance ("the SFO")) as recorded in the register maintained by the Company pursuant to Section 352 of the SFO were as follows:

(a) Long positions in shares of the Company

Name of directors	Number of ordinary shares		% of issued share capital of the Company
	Personal interests	Corporate interests	
Mr. Xu Lian Guo (<i>Note 1</i>)	–	234,720,000	58.7%
Mr. Xu Lian Kuan (<i>Note 1</i>)	–	234,720,000	58.7%
Mr. Zhang Yuqing	17,600,000	–	4.4%

Note 1: These shares are held by Zhong Da (BVI) Limited ("Zhongda (BVI)"), a company incorporated in the British Virgin Islands, in which Mr. Xu Lian Guo ("Mr. Xu") and his younger brother, Mr. Xu Lian Kuan, beneficially own 57.22% and 42.78% of its issued share capital respectively. Accordingly, each of Mr. Xu and Mr. Xu Lian Kuan is deemed to be interested in the shares held by Zhong Da (BVI).



Other than disclosed above, none of the directors or their associates had any interest or short position in the shares, underlying shares and debentures of the Company or any of its associated corporations as defined in the Part XV of the SFO as of 30th June, 2005.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES

As at 30th June, 2005, the register of substantial shareholders' interests or short positions maintained under Section 336 of the SFO showed that the Company had been notified of the following interests, being interests of 5% or more held in the shares and underlying shares of the Company:

Long positions in shares of the Company

Name of shareholders	Nature of Interest	Number of shares held	% of issued Share capital of the Company
Mr. Xu	Corporate	234,720,000 ⁽¹⁾	58.7%
Mr. Xu Lian Kuan	Corporate	234,720,000 ⁽¹⁾	58.7%
Zhong Da (BVI)	Corporate	234,720,000 ⁽²⁾	58.7%
Shum Yip (Holdings) Company Limited	Corporate	39,576,000 ⁽³⁾	9.9%

Notes:

- (1) This interest represents the number of shares held by Zhong Da (BVI) where each of Mr. Xu and Mr. Xu Lian Kuan is deemed to be interested in such shares. The entire issued share capital of Zhong Da (BVI) is beneficially owned as to 57.22% and 42.78% by Mr. Xu and Mr. Xu Lian Kuan respectively.
- (2) This interest of Zhong Da (BVI) is duplicated in the interest of Mr. Xu and Mr. Xu Lian Kuan.
- (3) This interest of Shum Yip (Holdings) Company Limited is held indirectly through Gainful Outcome Holdings Limited and Outstanding Management Limited both of which are wholly owned subsidiaries of Shum Yip (Holdings) Company Limited.

Save as disclosed above, no other entity or person was recorded in the register kept by the Company under section 336 of SFO as having an interest or short positions of 5% or more in the shares and underlying shares of the Company.

DIRECTORS' INTERESTS IN CONTRACTS

Except for the contracts of significance disclosed above and in Note 15 to the financial statements, no other contract of significance subsisted during or at the end of the six-month period.



PURCHASE, SALE OR REDEMPTION OF SHARES

During the six months ended 30th June, 2005, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

AUDIT COMMITTEE

The Company revised the terms of reference of the Audit Committee in December 2004 in accordance with the code provisions set out in the Code on Corporate Governance Practices contained 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 interim report for the six months ended 30th June, 2005.

CORPORATE GOVERNANCE

Zhongda is devoted to enhancing the quality of corporate governance of the Company. During the six months accounting period ended 30th June 2005, the Company has complied with the provisions of "Code on Corporate Governance Practices" as set out in Appendix 14 of the Listing Rules.

The Company has made specific enquiry to all directors on the securities transactions conducted by our directors and employees and confirmed that all directors have complied with the standards of the Model Code for Securities Transactions by Directors of Listed Companies as set out in Appendix 10 to the Listing Rules.

By order of the Board
Xu Lian Guo
Chairman

Yancheng, China, 23th September, 2005

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