

# Chairman's Statement



Dear Shareholders,

I am pleased to present the audited consolidated results of Zhongda International Holdings Limited (the "Company") and its subsidiaries (the "Group") for the year ended 31 December 2006.

## OVERVIEW

During the year 2006, the Group continued its resources consolidation, re-deployment and integration.

The Group's turnover for the year ended 31 December 2006 was approximately RMB191 million, representing a 7.6% increase as compared to last year. Profit attributable to the equity holders and the shareholders were approximately RMB15.3 million and RMB12.9 million respectively. Gross profit margin of the Group for the year decreased to approximately 31.9%, while the net profit margin improved to approximately 6.8%.

## PROSPECT

Since 2004, the Group has been diversifying its businesses from its original automobile equipment manufacturer into commercial vehicles manufacturer. Since then, the Group had redefined its strategic objectives and undergone a diversification restructuring in order to capture the opportunity in these growing industries.

Looking ahead, the Group will continue to strengthen its leading position in the automobile maintenance equipment sector, and at the same time to expand its automobile manufacturing business.

### *I. Automobile Equipments*

In 2006, the growth of the PRC automobile market regains its momentum as reflected by the recent public statistical figures due to the strong growth of the PRC's GDP, and it is expected that the increase in demand of imported and domestic automobiles will give fresh impetus to the demand for automobile maintenance equipments in the next few years. It is expected that in order to cope with the additional traffic to be generated by the demand, Beijing and

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Shanghai will need to build more than 1,500 automobile "express service center" so as to provide inspection and maintenance services for various types of vehicles.

### II. Buses

For the automobile manufacturing business, we have completed the registration formalities for the acquisition of Nanjing Jinling (Nanjing Jinling Double-decker Bus Manufacture Company Limited) by the end of the year, which results contribution to the Group will be reflected in the year 2007.

As Beijing and Shanghai are going to host the Olympics Games and the World Expo, these large-scale international events will effectively require an efficient mass transportation system to handle the logistics while bus is definitely one of the common tools, which in turn increase the demand for buses especially double-decker.

Given the aims of enhancing environmental protection and to match with international emission standards, the PRC government is implementing a tightening of vehicle emission restriction to require all existing commercial vehicles complying with Euro II Emission Standard to be upgraded to Euro III Standard in the coming few years. On the other hand, the PRC government is also transforming public transportation operators to be social welfare-oriented. Augmented by these favourable factors, it is expected that there will be huge market potential for double-deckers as it is one of the problem solutions for the traffic congestion in the large cities.

### III. Coaches business from affiliate companies

With respect to the strong export demand of coaches by overseas markets, our affiliate companies are expecting to obtain orders from this huge market potential in the coming years. As a result, the Group is considering to cooperate with affiliate companies by utilizing the international trading and trade-financing advantages in Hong Kong to capture this opportunity to enhance both the Group's and affiliates' profit in the future.

### IV. Vietnam Joint Venture ("JV") – Vehicles manufacturing

The co-operative joint venture with Vietnam Motors Industry Corporation in Vietnam is a great leap forward for the Group. It means more than an overseas project, but an international recognition of our competence with contribution to the Group by the year 2008.

As disclosed by in the press announcement of the Company dated 27 March 2007, this JV is to be the first commercial vehicles and chassis manufacturer in Vietnam in order to fulfill the local demand. It is expected that this project shall enhance our revenue stream in the future.

## APPRECIATION

On behalf of the Board, I would like to extend my sincere appreciation to our shareholders, staffs and customers for their continuous support to the Group. We are committed to maximizing shareholders' value by strengthening internal control, optimizing production and enhancing efficiency.

**Xu Lian Guo**

*Chairman*

Hong Kong, 27 April 2007