

## IMPORTANT

If you are in any doubt about this circular or as to the action to be taken, you should consult your stockbroker, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold all your shares in Zhongda International Holdings Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser.

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## ZHONGDA INTERNATIONAL HOLDINGS LIMITED

*(Incorporated in Bermuda with limited liability)*

*Directors:*

Xu Lian Guo (*Chairman*)

Xu Lian Kuan

Zhang Yuqing

\*Gu Yao Tian

\*Chan Wai Dune

\* *Independent non-executive directors*

*Registered Office:*

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

*Principal place of business:*

Unit 702

7th Floor

Concordia Plaza

1 Science Museum Road

Tsim Sha Tsui East

Kowloon

Hong Kong

29th April, 2002

*To the shareholders*

Dear Sir/Madam,

### **PROPOSALS FOR GENERAL MANDATES TO ISSUE NEW SHARES AND TO REPURCHASE SHARES AND/OR WARRANTS**

#### **INTRODUCTION**

The Company's existing mandates to issue shares and repurchase shares and/or warrants were approved by the Company's the sole shareholder on 8th October, 2001 prior to the commencement of listing of its shares on the Stock Exchange. Unless otherwise renewed, the existing mandates to issue shares and repurchase shares and/or warrants will lapse at the conclusion of the Annual General Meeting of Zhongda International Holdings Limited (the "Company") to be held on 28th May, 2002 at Garden Room, Nikko Hotel, 72 Mody Road, Tsim Sha Tsui East, Kowloon, Hong Kong on the general mandates to issue shares and to repurchase shares and/or warrants. Notice of the Annual General Meeting is despatched to shareholders together with this circular.

## GENERAL MANDATE TO REPURCHASE SHARES

At the Annual General Meeting of the Company, ordinary resolutions nos. 5(A) to (C) (the “Ordinary Resolutions”) will be proposed to grant a general mandate to the directors of the Company (the “**Directors**”) to exercise the powers of the Company to allot, issue and deal with shares (each a “**Share**”) of HK\$0.10 each in the capital of the Company and a general mandate to repurchase the Shares and/or warrants (each a “**Warrant**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). At the Annual General Meeting, resolutions will be proposed:

- (a) to grant a general mandate (the “**General Mandate**”) to the Directors to exercise the powers of the Company to allot, issue and deal with additional Shares up to a maximum of 20% of the aggregate nominal amount of the issued share capital of the Company at the date of passing of such resolution;
- (b) to grant a repurchase mandate (“**Repurchase Mandate**”) to the Directors to enable them to repurchase fully paid Shares and/or Warrants on the Stock Exchange up to a maximum of 10% of the aggregate nominal amount of the issued share capital of the Company at the date of passing such resolution; and
- (c) to increase the number of Shares to be allotted and issued under the General Mandate by an additional number representing such number of Shares repurchased under the Repurchase Mandate.

Under the Rules (the “**Listing Rules**”) Governing the Listing of Securities on the Stock Exchange, the Company is required to give to its shareholders all information which is reasonably necessary to enable shareholders to make an informed decision as to whether to vote for or against the Ordinary resolutions to renew the grant to the Directors of the Repurchase Mandate. This document is prepared for such purpose. The explanatory statement required by the Listing Rules to be included in this document is set out in the Appendix.

## ACTION TO BE TAKEN

Details of the proposed Ordinary Resolutions are contained in the notice (the “**Notice**”) convening the Annual General Meeting. The Notice and a form of proxy for use at the Annual General Meeting is enclosed herewith. To be valid, the form of proxy must be completed in accordance with the instructions printed thereon and deposited, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of that power of attorney or authority at the Company’s branch share registrar in Hong Kong, Standard Registrars Limited, at 5th Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong not less than 48 hours before the time fixed for holding the meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the Annual General Meeting.

## RECOMMENDATION

The Directors believe that the granting of general mandates to issue shares and to repurchase shares and/or warrants (together with its extension) are in the best interests of the Company and its shareholders. Accordingly, the Directors recommend that all shareholders should vote in favour of the Ordinary Resolutions nos. 5(A) to (C) to be proposed at the Annual General Meeting.

By Order of the Board  
**Xu Lian Guo**  
*Chairman*

Information required by the Listing Rules to be disclosed in an explanatory statement on repurchase of shares:

**SHARE CAPITAL**

As at 29th April, 2002, being the latest practicable date prior to the printing of this circular, the issued share capital of the Company comprised 400,004,000 fully paid-up Shares of HK\$0.10 each. There are 49,996,000 Warrants in issue on the basis of subscription price of HK\$0.675 per Share (subject to adjustment).

Subject to the passing of the Ordinary Resolutions to approve the Repurchase Mandate and on the basis that no further shares are issued or repurchased prior to the Annual General Meeting, the Company will be allowed under the Repurchase Mandate to repurchase up to a maximum of 40,000,400 fully paid-up shares and 4,996,000 Warrants.

**SHAREHOLDERS' APPROVAL**

All repurchase of shares must be approved by shareholders in advance by means of an ordinary resolution, either by way of a general mandate or by specific approval in relation to a particular transaction.

**REASON FOR THE REPURCHASE**

Repurchase of Shares and/or Warrants will only be made when the Directors consider that it will benefit the Company and its shareholders. Such repurchase may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value and/or earnings per share.

**SOURCE OF FUNDS**

Repurchases must be financed out of funds legally available for the purpose including capital paid up on the shares to be repurchased, profits otherwise available for dividend and in the case of premiums payable on repurchase, sums standing to the share premium account or contributed surplus account of the Company and in accordance with the Bermuda law and Bye-laws of the Company. It is envisaged that any repurchase of shares by the Company would be financed out of the same sources of fund as above described.

There might be material adverse impact on the working capital or gearing position of the Company, in the event that the proposed Repurchase Mandate were to be exercised in full at any time during the proposed repurchase period. However, the Directors do not propose to exercise the Repurchase Mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Company or the gearing levels which in the opinion of the Directors are from time to time appropriate for the Company.

**TRADING RESTRICTIONS**

All share repurchases on the Stock Exchange in any given calendar month are limited to a maximum of 25% of the trading volume of the company's shares in the immediately preceding calendar month. The Listing Rules also prohibit a company from making share repurchases on the Stock Exchange if the result of the repurchase would be less than 25% (or the relevant prescribed minimum percentage for that company as determined by the Stock Exchange at the time of listing) of the issued share capital would be in public hands. A company shall not repurchase its own shares on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

**TAKEOVER CODE**

If on the exercise of the power to repurchase Shares and/or Warrants pursuant to the Ordinary Resolutions, a shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for the purposes of Rule 32 of the Takeover Code. As a result, a shareholder or group of shareholders acting in concert could obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with Rules 26 and 32 of the Takeover Code.

As at the date of circular, the following are the substantial shareholders holding more than 10% of the issued share capital of the Company:

Name	Number of Shares	Percentage of holding
Mr. Xu Lian Guo	234,720,000 <sup>(1)</sup>	58.7%
Mr. Xu Lian Kuan	234,720,000 <sup>(1)</sup>	58.7%
Zhong Da (BVI) Limited	234,720,000 <sup>(2)</sup>	58.7%
Shum Yip (Holdings) Company Limited	47,680,000 <sup>(3)</sup>	11.9%

*Notes:*

- (1) This interest represents the number of Shares held by Zhong Da (BVI) Limited where Mr. Xu Lian Guo and Mr. Xu Lian Kuan are taken to be interested in such Shares under Section 8 the Securities (Disclosure of Interests) Ordinance (Chapter 396 of the Laws of Hong Kong SAR). The entire issued share capital of Zhong Da (BVI) Limited is beneficially owned as to 57.22% and 42.78% by Mr. Xu Lian Guo and Mr. Xu Lian Kuan respectively.
- (2) This interest of Zhong Da (BVI) Limited is duplicated in the interest of Mr. Xu Lian Guo 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.

In the event that the Directors exercise in full the power to repurchase Shares and/or Warrants which is proposed to be granted pursuant to the Repurchase Mandate, the shareholdings of Mr. Xu Lian Guo and Mr. Xu Lian Kuan (jointly) and Shum Yip (Holdings) Company Limited would be increased to approximately 65.2% and 13.2%. Such an increase may give rise to an obligation to make a general offer under Rule 26 of the Takeovers Code. However, the Directors have no present intention to exercise the Repurchase Mandate to such extent as would give rise to such an offer obligation.

**UNDERTAKINGS**

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate pursuant to the proposed resolution in accordance with the applicable laws of Bermuda and the Listing Rules.

None of the Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their associates (as defined in the Listing Rules), have any present intention to sell any Shares and/or Warrants to the Company or its subsidiaries under the Ordinary Resolutions if such is approved by the shareholders.

No connected persons (as defined in the Listing Rules) have notified the Company that they have a present intention to sell Shares and/or Warrants to the Company or its subsidiaries, or have undertaken not to do so, in the event that the Repurchase Mandate is approved by the shareholders.

**REPURCHASE MADE BY THE COMPANY**

The Company has not purchased any of its Shares and/or Warrants (whether on the Stock Exchange or otherwise) in the six months preceding the date of this circular.

**SHARE PRICES**

The highest and lowest prices at which the Shares of the Company have been traded on the Stock Exchange during each of the five months after listing on 1st November, 2001 and prior to the printing of this document were as follows:–

	Trading Price per Share	
	Highest <i>HK\$</i>	Lowest <i>HK\$</i>
<b>2001</b>		
November	0.72	0.57
December	0.71	0.48
<b>2002</b>		
January	0.61	0.50
February	0.56	0.44
March	0.53	0.42

**SUSPENSION OF REPURCHASE**

The Listing Rules require any Share and/or Warrant repurchase to be suspended after a price sensitive development has occurred or has been the subject of directors' decision until the price sensitive information has been made publicly announced. In particular, during the period of one month immediately preceding either the preliminary announcement of a company's annual results or the publication of a company's interim report a company may not purchase its own shares on the Stock Exchange, unless the circumstances are exceptional. In addition, the Stock Exchange reserves the right to suspend a share and/or Warrant repurchase on the Stock Exchange if a company has breached the Listing Rules.

**REPORTING REQUIREMENTS**

Under the Listing Rules, repurchases on the Stock Exchange or otherwise must be reported to the Stock Exchange not later than 9:30 a.m. on the following business day in the Form G set out in Appendix 5 of the Listing Rules to disclose information on repurchase including, the total number of shares repurchased by the Company the previous day, the purchase price per share or the highest and lowest prices paid for such repurchase. In addition, the company's annual report and accounts are required to disclose detailed information regarding repurchases made during the financial year under review including the number of Shares and/or Warrants repurchased each month, the purchase price per share or the highest and lowest purchase price per share and the aggregate price paid. The directors' report is required to make certain reference to the repurchases during the year and the reason for making such repurchases. The company shall procure that any broker appointed by the company to effect the repurchase of shares shall disclose to the Stock Exchange such information with respect to repurchases made on behalf of the company as the Stock Exchange may request.

**CONNECTED PARTIES**

The Listing Rules prohibit a company from knowingly repurchasing Shares and/or Warrants on the Stock Exchange from a "connected person", that is, a director, chief executive or substantial shareholder of the company or any of its subsidiaries of their respective associates (as defined in the Listing Rules).

# NOTICE OF ANNUAL GENERAL MEETING



## ZHONGDA INTERNATIONAL HOLDINGS LIMITED

*(Incorporated in Bermuda with limited liability)*

**NOTICE IS HEREBY GIVEN** that the Annual General Meeting of Zhongda International Holdings Limited (the “Company”) will be held at Garden Room, Nikko Hotel, 72 Mody Road, Tsimshatsui East, Kowloon, Hong Kong on 28th May, 2002 (Tuesday) at 2:00 p.m. for the following purposes:

1. To receive and consider the audited consolidated financial statements of the Company and its subsidiaries and the reports of the directors and auditors for the year ended 31st December, 2001.
2. To re-elect directors to replace retiring directors and to authorise the board of directors to fix the directors’ remuneration for the year 2002.
3. To declare a final dividend for the year ended 31st December, 2001.
4. To appoint PricewaterhouseCoopers as the auditors of the Company and to authorise the board of directors of the Company to fix their remuneration for the year 2002.
5. To consider as special business and, if thought fit, pass with or without modifications, the following resolutions as ordinary resolutions:

A. **“THAT:**

- (a) subject to paragraph (c) of this resolution, the exercise by the directors of the Company (“Directors”) during the Relevant Period (as defined below) of all the powers of the Company to allot, issue and deal with additional shares (“Shares”) in the capital of the Company or securities convertible into Shares, options, warrants (“Warrants”) or similar rights to subscribe for any Shares and to make, grant, sign or execute offers, agreements or options, deeds and other documents which would or might require the exercise of such power, subject to and in accordance with all applicable laws, be and is hereby generally and unconditionally approved;
- (b) the approval in paragraph (a) of this resolution shall authorise the Directors during the Relevant Period to make, grant, sign or execute offers, agreements or options, deeds and other documents which would or might require the exercise of such power either during or after the end of the Relevant Period;
- (c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) and issued by the Directors pursuant to the approval in this resolution, otherwise than pursuant to the Shares of the Company issued as a result of a Rights Issue (as hereinafter defined) or pursuant to the exercise of options under the share option scheme or similar arrangement, or any scrip dividend or similar arrangement providing for the allotment of Shares in lieu of the whole or part

## NOTICE OF ANNUAL GENERAL MEETING

of the dividend on the Shares in accordance with the Company's bye-laws, shall not exceed 20 per cent of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing of this resolution and the said approval shall be limited accordingly; and

- (d) for the purposes of this resolution:

“Relevant Period” means the period from the date of passing of this resolution until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the bye-laws of the Company or any applicable laws of Bermuda to be held; or
- (iii) revocation or variation of the authority given under this Resolution by an ordinary resolution of the shareholders of the Company in any general meeting.

“Rights Issue” means the allotment, issue or grant of Shares pursuant to an offer of Shares open for a period fixed by the Directors to holders of Shares of the Company on the register on a fixed record date in proportion to their holdings of such Shares (subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of, any recognised regulatory body or any stock exchange in any territory applicable to the Company).”

**B. “THAT:**

- (a) subject to paragraph (b) of this resolution, the exercise by the Directors during the Relevant Period of all the powers of the Company to repurchase its own Shares and/or Warrants on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) or on any other stock exchange on which the securities of the Company may be listed and recognised by the Securities and Futures Commission and the Stock Exchange for this purpose, subject to and in accordance with all applicable laws and requirements of the Rules Governing the Listing of Securities on the Stock Exchange or of any other stock exchange on which the securities of the Company may be listed as amended from time to time, be and is hereby generally and unconditionally approved;
- (b) the aggregate nominal amount of Shares and/or Warrants to be repurchased by the Company pursuant to the approval mentioned in paragraph (a) of this resolution during the Relevant Period shall not exceed 10 per cent of the aggregate nominal amount of the share capital of the Company in issue on the date of passing of this resolution and the said approval shall be limited accordingly; and
- (c) the expression “Relevant Period” shall for the purposes of this resolution have the same meaning as assigned to it under resolution numbered 5.A. (d) of this notice.”

## NOTICE OF ANNUAL GENERAL MEETING

- C. “**THAT** conditional upon resolution numbered 5.A. and 5.B. of this notice being passed, the aggregate nominal amount of Shares and/or Warrants in the capital of the Company which are repurchased by the Company under the authority granted to the Directors as mentioned in resolution 5.B. above shall be added to the aggregate nominal amount of share capital that may be allotted or agreed conditionally or unconditionally to be allotted by the Directors pursuant to resolution 5.A. provided that the amount of share capital repurchased by the Company shall not exceed 10 per cent of the total nominal amount of the share capital of the Company in issue on the date of this resolution.”

By Order of the Board  
**Xu Lian Guo**  
*Chairman*

29th April, 2002, Hong Kong

*Principal office:*  
Unit 702  
Concordia Plaza  
1 Science Museum Road  
Tsimshatsui East  
Kowloon  
Hong Kong

*Notes:*

1. A member entitled to attend and vote at the meeting convened by the above notice is entitled to appoint one or more proxies to attend and vote in his stead. A proxy need not be a member of the Company.
2. To be valid, this form of proxy, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of that power of attorney or other authority, must be deposited at the Hong Kong branch share registrar of the Company, Standard Registrars Limited at 5th Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong not less than 48 hours before the time appointed for holding the said meeting.
3. A form of proxy for the meeting will be despatched with the Notice of Annual General Meeting.
4. The register of members of the Company will be closed from Thursday, 23rd May, 2002 to Tuesday, 28th May, 2002, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the final dividend to be approved at the meeting and the right to attend and vote at the meeting, all transfers accompanied by the relevant share certificates must be lodged with the Company's Share Registrars in Hong Kong, Standard Registrars Limited, 5th Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong, not later than 4:00 p.m. on Wednesday, 22nd May, 2002.
5. With reference to the Ordinary Resolutions sought in items 5.A. and 5.B. of this notice, the Directors wish to state that they have no immediate plans to issue any new shares or to repurchase any existing shares of the Company. The explanatory statement required by the Listing Rules of the Stock Exchange in connection with the repurchase mandate will be despatched to shareholders.