

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

9 July, 2003

To the shareholders

Dear Sir/Madam,

PROPOSALS FOR GENERAL MANDATES TO ISSUE NEW SHARES AND TO REPURCHASE SHARES AND WARRANTS

INTRODUCTION

The Company's existing mandates to issue shares and repurchase shares and warrants were approved by the shareholders of Zhongda International Holdings Limited (the "Company") at the Annual General Meeting held on 28th May, 2002. Unless otherwise renewed, the existing mandates to issue shares and repurchase shares and warrants will lapse at the conclusion of the Annual General Meeting of the Company to be held on 5 August, 2003 at Garden Room, Nikko Hotel, 72 Mody Road, Tsim Sha Tsui East, Kowloon, Hong Kong. Notice of the Annual General Meeting ("Notice") is despatched to shareholders together with this circular.

GENERAL MANDATE TO REPURCHASE SHARES

At the Annual General Meeting of the Company, ordinary resolutions nos. 4(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 (the “**Share(s)**”) of HK\$0.10 each in the capital of the Company and a general mandate to repurchase the Shares and warrants (the “**Warrant(s)**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). At the Annual General Meeting, ordinary 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 as 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 on the Stock Exchange up to a maximum of 10% of the aggregate nominal amount of the issued share capital of the Company as at the date of passing such resolution and Warrants up to a maximum of 10% of the aggregate nominal amount of the Warrants of the Company outstanding as 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 circular is prepared for such purpose. The explanatory statement required by the Listing Rules to be included in this circular is set out in the Appendix.

ACTION TO BE TAKEN

Details of the proposed ordinary resolutions are contained in the Notice. 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 G/F, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, 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 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. 4(A) to (C) to be proposed at the Annual General Meeting.

By Order of the Board
Xu Lian Guo
Chairman

The following is the information required by the Listing Rules to be disclosed in an explanatory statement on repurchase of shares:

SHARE CAPITAL

As at 8 July, 2003, 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 or no Warrants are exercised 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 4,999,600 Warrants.

REASON FOR THE REPURCHASE

Repurchase of Shares and 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.

Subject to the terms and conditions of the instrument constitutive of the Warrants, the Company is empowered to purchase the Warrants. Any Warrants so purchased by the Company shall be cancelled forthwith.

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.

TAKEOVERS CODE

If on the exercise of the power to repurchase Shares 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 Takeovers 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 Takeovers Code.

According to the register maintained by the Company pursuant to Section 336 of the Securities and Futures Ordinance as at the date of circular, the following are the shareholders holding more than 5% of the issued share capital of the Company:

Name	Number of Shares	Percentage of holding
Mr. Xu Lian Guo	234,720,000 ⁽¹⁾	58.7%
Mr. Xu Lian Kuan	234,720,000 ⁽¹⁾	58.7%
Zhong Da (BVI) Limited	234,720,000 ⁽²⁾	58.7%
Shum Yip (Holdings) Company Limited	43,596,000 ⁽³⁾	10.9%

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 Securities and Futures Ordinance. 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 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 12.1%. The Directors are not aware of any consequences which may arise under the Takeovers Code as a result of any repurchases made pursuant to the Repurchase Mandate. In the event that the power to make repurchase pursuant to the Repurchase Mandate is exercised in full, the number of Shares held by public would fall below 25% of the issued share capital of the Company. The Directors will use their best endeavours to ensure that the Repurchase Mandate will not be exercised to the extent that the number of shares held by public would be reduced to less than 25% of the issued share capital of the Company.

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 ordinary 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 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 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 Warrants (whether on the Stock Exchange or otherwise) in the six months preceding the date of this circular.

SHARE AND WARRANT PRICES

The highest and lowest prices at which the Shares and Warrants of the Company have been traded on the Stock Exchange during each of the previous twelve months prior to the printing of this circular were as follows:-

	Shares		Warrants	
	Highest Traded Price HK\$	Lowest Traded Price HK\$	Highest Traded Price HK\$	Lowest Traded Price HK\$
2002				
July	0.550	0.430	—*	—*
August	0.500	0.420	—*	—*
September	0.470	0.140	0.135	0.135
October	0.230	0.175	—*	—*
November	0.310	0.208	0.050	0.026
December	0.340	0.260	—*	—*
2003				
January	0.335	0.260	0.064	0.064
February	0.300	0.265	—*	—*
March	0.320	0.250	—*	—*
April	0.350	0.290	0.010	0.010
May	0.340	0.290	—*	—*
June	0.330	0.250	0.020	0.010

* *There were no normal transactions during the month*

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 Nikko Hotel, 72 Mody Road, Tsimshatsui East, Kowloon, Hong Kong on Tuesday, 5 August, 2003 at 2:30 p.m. for the following purposes:

1. To receive and adopt 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, 2002.
2. To re-elect directors and to authorise the board of directors to fix their remuneration.
3. To re-appoint PriceWaterhouseCoopers as the Auditors of the Company and to authorise the board of directors of the Company to fix their remuneration.
4. 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 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

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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 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 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; and the aggregate amount of 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 amount of the Warrants of the Company outstanding as at the date of passing of this resolution and the said approval shall be limited accordingly; and

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- (c) the expression “Relevant Period” shall for the purposes of this resolution have the same meaning as assigned to it under resolution numbered 4.A. (d) of this notice.”
- C. “**THAT** conditional upon resolution numbered 4.A. and 4.B. of this notice being passed, the aggregate nominal amount of Shares and Warrants in the capital of the Company which are repurchased by the Company under the authority granted to the Directors as mentioned in resolution 4.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 4.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

Hong Kong, 8 July, 2003

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 G/F, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the said meeting or any adjournment thereof.
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, 31 July, 2003 to Tuesday, 5 August, 2003, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for attending and voting 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, G/F, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong, not later than 4:00 p.m. on Wednesday, 30 July, 2003.
5. With reference to the Ordinary Resolutions sought in items 4.A. and 4.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.