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ZHONGDA INTERNATIONAL HOLDINGS LIMITED

中大國際控股有限公司*

(Incorporated in Bermuda with Limited Liability)

ANNOUNCEMENT CONTINUING CONNECTED TRANSACTIONS

SUMMARY

During 2001, the Group entered into five separate agreements, namely the Agreement for Integrated Services, Trademark Licence Agreement, Patent Licence Agreement, Purchase Agreement and Office Licence Agreement with Mr. Xu Lian Kuan and/or Zhongda Industrial Group or its subsidiary. Mr. Xu Lian Kuan is the director and substantial shareholder of the Company, whose interest in the Company is approximately 25.11%, while Zhongda Industrial Group is owned as to approximately 52.64% by both Mr. Xu Lian Guo and Mr. Xu Lian Kuan, approximately 5% by Sheyang County Xinyang Village collective enterprise (射陽縣新洋鄉鄉村集體股) and approximately 42.36% by its employees. Mr. Xu Lian Kuan and Zhongda Industrial Group are connected persons of the Company under Chapter 14 of the Listing Rules. Accordingly, the Transactions constitute connected transactions for the Company under Chapter 14 of the Listing Rules.

The Company was granted a conditional waiver for a period of three financial years ended 31st December, 2003 on 19th October, 2001 from strict compliance with the connected transaction requirements under the Listing Rules in respect of the Transactions.

The Company expects that the Transactions will be continued and the annual aggregate amounts of the consideration payable by the Group in respect of the Transactions will be less than the higher of HK\$10,000,000 or 3% of the book value of the net tangible assets of the Group after the Waiver Expiry Date, the Transactions will therefore be subjected to disclosure requirements under Rule 14.25 of the Listing Rules. The Company has applied to the Stock Exchange for a new waiver in view of the expiration of the previous waiver. Brief details of the Transactions will be required to be disclosed in the Company's next and successive published annual report and accounts in accordance with Rule 14.25(1)(A) to (D) of the Listing Rules.

As the Transactions will take place from time to time on a regular basis, the Directors consider that full compliance with the disclosure requirements under the Listing Rules would be impracticable and unduly burdensome. Accordingly, an application has been made by the Company to the Stock Exchange for a waiver for the term of the agreements governing the Transactions from strict compliance with the disclosure requirements under Rule 14.25 of the Listing Rules, subject to the terms and conditions as set out in the section headed "Disclosure Requirements and Waiver Sought" in this announcement.

CONTINUING CONNECTED TRANSACTIONS

Background

During 2001, the Group entered into five separate agreements, namely the Agreement for Integrated Services, Trademark Licence Agreement, Patent Licence Agreement, Purchase Agreement and Office Licence Agreement with Mr. Xu Lian Kuan and/or Zhongda Industrial Group or its subsidiary. Mr. Xu Lian Kuan is the director and substantial shareholder of the Company, whose interest in the Company is approximately 25.11%, while Zhongda Industrial Group is owned as to approximately 52.64% by both Mr. Xu Lian Guo and Mr. Xu Lian Kuan, approximately 5% by Sheyang County Xinyang Village collective enterprise (射陽縣新洋鄉鄉村集體股) and approximately 42.36% by its employees. Mr. Xu Lian Kuan and Zhongda Industrial Group are connected persons of the Company under Chapter 14 of the Listing Rules. Accordingly, the Transactions constitute connected transactions for the Company under Chapter 14 of the Listing Rules.

The Company was granted a conditional waiver for a period of three financial years ended 31st December, 2003 on 19th October, 2001 from strict compliance with the connected transaction requirements under the Listing Rules in respect of the Transactions.

The Agreements

Agreement for Integrated Services

Pursuant to an integrated services agreement dated 31st August, 2001 entered into between the Company and Zhongda Industrial Group, Zhongda Industrial Group agreed to provide catering service, collective quarters, medical and hygiene service, transportation service, security service and recreation centre to the Group's production site in Jiangsu Province for the purpose of providing the above-mentioned integrated services to the employees as benefits offered to them by the Group. Accordingly, an annual fee of RMB750,000 shall be paid by the Group, the amount of which is subject to review by both parties. The annual fee as determined by mutual agreement between the parties may be increased once every year provided that the increment shall not exceed 10% of the annual fee for the preceding year.

The agreement is for a term of 10 years commencing from 31st August, 2001 and expiring on 30th August, 2011. The agreement is renewable automatically for another 10 years upon expiry. Nonetheless, the agreement is terminable by the Company at any time provided that 3 months notice is given and the Company is not required to pay any compensation in the event of such early termination.

Trademark Licence Agreement

Pursuant to a trademark licence agreement dated 31st August, 2001 entered into between the Company and Zhongda Industrial Group, Zhongda Industrial Group, as the registered owner of the trademarks or the applicant of the trademarks, granted to the Company an exclusive right to use the trademarks in the PRC, Japan, Hong Kong, Australia, Canada, United Kingdom and the countries designated under the Madrid Agreement Concerning the International Registration of Marks for a term of 10 years commencing from 31st August, 2001 and expiring on 30th August, 2011. The agreement is renewable automatically upon expiry for a further term of 10 years unless written notice of termination is given by the Company at least 6 months prior to the date of expiration of the agreement. Pursuant to the Trademark Licence Agreement, the Company will pay an annual trademark licence fee at a flat rate of RMB150,000 which will be payable within 15 days after the completion of the relevant financial year.

Patent Licence Agreement

Pursuant to a patent licence agreement dated 31st August, 2001 entered into between the Company, Mr. Xu Lian Kuan and Zhongda Industrial Group, Zhongda Industrial Group and Mr. Xu Lian Kuan as the registered owner of the patents, granted to the Company an exclusive right to use the patents in consideration of an annual flat fee of RMB200,000 (each of Mr. Xu Lian Kuan and Zhongda Industrial Group sharing RMB100,000) commencing from 31st August, 2001 until the expiry of the patent certificate of the relevant patents or the parties enter into an agreement terminating the right of the Company to use all the patents or the last patent. The patent licence fee is payable within 15 days after completion of the relevant financial year.

Purchase Agreement

Yancheng Celette is a sino-foreign joint venture enterprise owned as to 49% by Zhongda Industrial Group and 51% by Tack Sang Machinery and Metal Co. Ltd., an independent third party not connected with the Group. Pursuant to the Purchase Agreement dated 1st January, 2001 entered into between Yancheng Celette and Yancheng Zhongda Industrial Equipment, Yancheng Zhongda Industrial Equipment agreed to purchase from time to time various parts of “wheel alignors” products (大梁校正儀之各類配件), which are the components in the production process of the Group, from Yancheng Celette at market price. The payment shall be made within three months from delivery. The Purchase Agreement shall commence on the date of the agreement and terminate on 31st December, 2005.

Office Licence Agreement

Pursuant to an office licence agreement dated 30th May, 2001 entered into between Zhongda Machinery and Zhongda Industrial Group, Zhongda Industrial Group agreed to make available to Zhongda Machinery the non-exclusive use of floor areas at the 2nd and 3rd floors of No. 56 Tongyu Zhong Road, Yancheng, Jiangsu (approximately 600 square meters) for a term of five years commencing from 1st June, 2001 and expiring on 1st June, 2006 inclusive for use by Zhongda Machinery as its office premises for its daily operations. During the term of the office licence agreement, Zhongda Machinery has to pay an annual property maintenance fee at a flat rate of RMB100,000 to Zhongda Industrial Group.

Reasons for the continuing connected transactions

The patents and the trademarks to be used by the Group are registered under Zhongda Industrial Group or Mr. Xu Lian Kuan (as the case may be). As it will be time consuming and expensive for the Group to acquire the ownership of these trademarks and patents, they will not be injected into the Group at this stage. The Directors believe that the terms and conditions of the Trademark Licence Agreement and Patent Licence Agreement have ensured that the Group is fully entitled to use such intellectual property rights.

In addition, the Agreement for Integrated Services, the Purchase Agreement and the Office Licence Agreement have not yet been expired, in order for the Company to avoid unnecessary administrative costs for changing the relevant contracting parties, the Company intends to continue the above transactions.

The Transactions are/will be conducted in the ordinary and usual course of business of both the Group and Zhongda Industrial Group or its subsidiary and in accordance with the terms of respective agreements which were negotiated on arm's length basis. The Directors, including the independent non-executive Directors consider that the Transactions are/will be in the interests of the Group, and are fair and reasonable as far as the shareholders of the Company are concerned.

DISCLOSURE REQUIREMENTS AND WAIVER SOUGHT

The Company expects that the Transactions will be continued and the annual aggregate amounts of the consideration payable by the Group in respect of the Transactions will be less than the higher of HK\$10,000,000 or 3% of the book value of the net tangible assets of the Group after the Waiver Expiry Date, the Transactions will therefore be subject to disclosure requirements under Rule 14.25 of the Listing Rules. The Company has applied to the Stock Exchange for a new waiver in view of the expiration of the previous waiver. As the Transactions will take place from time to time on a regular basis, the Directors consider that full compliance with the disclosure requirements under the Listing Rules would be impracticable and unduly burdensome. Accordingly, an application has been made by the Company to the Stock Exchange for a waiver for the term of the agreements governing the Transactions from strict compliance with the disclosure requirements under Rule 14.25 of the Listing Rules in respect of the Transactions by the Company subject to the following conditions:–

1. the Transactions shall be:
 - (i) entered into by the Company in the ordinary and usual course of its business;
 - (ii) conducted either (a) on normal commercial terms (which expression will be applied by reference to transactions of a similar nature and to be made by similar entities) or (b) (where there is no available comparison) on terms that are fair and reasonable so far as the shareholders of the Company are concerned; and
 - (iii) entered into in accordance with the terms of the agreements governing the Transactions;
2. the aggregate amount of the Transactions for each financial year of the Company shall not exceed the higher of HK\$10,000,000 or 3% of the book value of the net tangible assets of the Group (as disclosed in the latest published consolidated accounts) for the relevant financial year;
3. the independent non-executive Directors shall review the Transactions annually and confirm in the Company's next annual report that the Transactions are conducted in the manner as stated in paragraphs 1 and 2 above;
4. the Company's auditors shall review the Transactions annually and confirm in a letter (the "Letter") to the Directors (a copy of which shall be provided to the Listing Division of the Stock Exchange) stating that:
 - (i) the Transactions have received the approval of the Board;
 - (ii) the Transactions have been entered into in accordance with the pricing policies as stated in the Company's annual report;

- (iii) the Transactions are in accordance with the terms of the agreements governing the Transactions or, if there are no such agreements, on terms no less favourable than those available to or from independent third parties; and
- (iv) the aggregate amount of the Transactions shall not exceed the higher of HK\$10,000,000 or 3% of the book value of the net tangible assets of the Group (as disclosed in the latest published consolidated accounts) for the relevant financial year.

If, for whatever reason, the auditors decline to accept the engagement or are unable to provide the Letter, the Directors shall contact the Stock Exchange as soon as practicable;

- 5. details of the Transactions in each financial year shall be disclosed as required under Rule 14.25(1)(A) to (D) of the Listing Rules in the published annual report of the Company for that financial year together with a statement of the opinion of the independent non-executive Directors referred to in paragraph 3 above; and
- 6. the Group and Zhongda Industrial Group shall provide to the Stock Exchange an undertaking that, for so long as the Company's shares are listed on the Stock Exchange, it will provide the Company's auditors with full access to their relevant records for the purpose of the auditors' review of the Transactions referred to in paragraph 4 above.

If any terms of each of the Transactions are altered or if the Company enters into any new agreements with any connected persons (within the meaning of the Listing Rules) in the future, the Company must comply with the provisions of Chapter 14 of the Listing Rules governing connected transactions unless it applies for and obtains a separate waiver from the Stock Exchange.

In the event of any future amendments to the Listing Rules imposing more stringent requirements than as at the date of this letter on transactions of the kind to which the Transactions belong including, but not limited to, a requirement that such transactions be made conditional on approval by the independent shareholders of the Company, the Company will take immediate steps to ensure compliance with such requirements within a reasonable period.

DEFINITIONS

“Agreement for Integrated Services”	an integrated service agreement dated 31st August, 2001 entered into between the Company and Zhongda Industrial Group
“Board”	the board of directors of the Company
“Company”	Zhongda International Holdings Limited, an exempted company with limited liability incorporated on 14th September, 2000 in Bermuda
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of the Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Madrid Agreement Concerning the International Registration of Marks”	concluded in 1891 and provides member nations with a means to obtain a multi-nation trademark registration. After a home nation registration is obtained, an international application is filed with the World Intellectual Property Organization (WIPO). It offers trademark registration in various countries via a single application.
“Mr. Xu Lian Guo”	the chairman of the Company and the brother of Mr. Xu Lian Kuan
“Mr. Xu Lian Kuan”	the vice- chairman and the director of the Company and the younger brother of Mr. Xu Lian Guo
“Office Licence Agreement”	an office licence agreement dated 30th May, 2001 entered into between Zhongda Machinery and Zhongda Industrial Group
“Patent Licence Agreement”	a patent licence agreement dated 31st August 2001 entered into between the Company, Mr. Xu Lian Kuan and Zhongda Industrial Group
“PRC”	the People’s Republic of China
“Purchase Agreement”	a purchase agreement dated 1st January, 2001 entered into between Yancheng Celette and Yancheng Zhongda Industrial Equipment
“RMB”	Renminbi, the lawful currency of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Trademark Licence Agreement”	a trademark licence agreement dated 31st August, 2001 entered into between the Company and Zhongda Industrial Group
“Transactions”	the connected transactions entered into between the Group and Mr. Xu Lian Kuan and/or Zhongda Industrial Group or its subsidiary pursuant to the Agreement for Integrated Services, Trademark Licence Agreement, Patent Agreement, Purchase Agreement and Office Licence Agreement
“Waiver Expiry Date”	31st December, 2003, being the date when the conditional waiver in respect of the Transactions granted by the Stock Exchange expired
“Yancheng Zhongda Industrial Equipment”	Yancheng Zhongda Industrial Equipment Manufacture Co., Ltd., a sino-foreign equity joint venture enterprise established under the laws of the PRC on 18th September, 2000 and a subsidiary of the Company in which the Company has an indirect interest of approximately 96%
“Yangcheng Celette”	Yancheng Celette Body Repairing Equipment Limited, a sino-foreign equity joint venture enterprise established under the laws of the PRC on 25th December, 1995, in which Zhongda Industrial Group has an interest of approximately 49%

“Zhongda Industrial Group”	Zhongda Industrial Group Corporation, a joint stock company with limited liability established in 1995. The equity interest of Zhongda Industrial Group is collectively owned by Mr. Xu Lian Guo and Mr. Xu Lian Kuan as to 52.64%, Shenyang County Xinyang Village collective enterprise as to 5% and the employees of Zhongda Industrial Group as to 42.36%
“Zhongda Machinery”	Zhongda Automobile Machinery Manufacture Co., Ltd., a sino-foreign equity joint venture enterprise established under the laws of the PRC on 15th December, 1993 in which the Company has an indirect interest of approximately 86.7% while Zhongda Industrial Group has an interest of approximately 13.3%
“%”	per cent.

By Order of the Board
ZHONGDA INTERNATIONAL HOLDINGS LIMITED
Xu Lian Guo
Chairman

Hong Kong, 8 January, 2004

* *For identification purpose only*

“Please also refer to the published version of this announcement in China Daily”.