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中大国际

Zonda

ZHONGDA INTERNATIONAL HOLDINGS LIMITED

中大國際控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock code: 909)

**DISCLOSEABLE TRANSACTION
ENTERING INTO A CO-OPERATION AGREEMENT
FOR THE ESTABLISHMENT OF A NEW JOINT VENTURE
IN THE PRC**

Financial Advisor to the Company



Karl Thomson Financial Advisory Limited

The Directors are pleased to announce that, on 27 March 2004, Zhongda Auto, a wholly owned subsidiary of the Company has entered into the Co-operation Agreement with the PRC JV Partner relating to the establishment of the Nanjing JV for conducting a bus manufacturing and sales network business in the PRC.

The PRC JV Partner is an independent third party who is not a connected person as defined in the Listing Rules and not connected with any directors, chief executive or substantial shareholders of the Company, its subsidiaries or their respective associates pursuant to the Listing Rules.

Zhongda Auto and the PRC JV Partner will be interested in 60% and 40% of the Nanjing JV respectively. The total registered capital and total investment of the Nanjing JV is agreed at RMB58.25 million (equivalent to approximately HK\$54.95 million) and to be contributed as to RMB34.95 million (equivalent to approximately HK\$32.97 million) by Zhongda Auto and as to RMB23.30 million (equivalent to approximately HK\$21.98 million) by the PRC JV Partner. The contribution of the PRC JV Partner will be satisfied by injection of assets including land and manufacturing facility while Zhongda Auto will contribute their respective capital in cash.

The establishment of the Nanjing JV contemplated under the Co-operation Agreement constitutes a discloseable transaction of the Company under the Listing Rules. A circular containing details of the Co-operation Agreement will be dispatched to the Shareholders as soon as practicable and within 21 days from the date of this announcement.

* *For identification purpose only*

THE CO-OPERATION AGREEMENT DATED 27 March 2004

On 27 March 2004, Zhongda Auto and the PRC JV Partner entered into the Co-operation Agreement relating to the establishment of the Nanjing JV for the formation of a bus manufacturing and sales network business in the PRC. The JV Parties have agreed to establish the Nanjing JV in accordance to the terms set out in the Co-operation Agreement as follows:

JV Parties

Zhongda Auto, an investment holding company incorporated in the British Virgin Islands and a wholly owned subsidiary of the Company, in which the Nanjing JV is its only investment.

江蘇金陵交運集團有限公司 (Jiangsu Jinling Transportation Group Limited), a company incorporated in the PRC and an independent third party not connected with any directors, chief executive or substantial shareholders of the Company, its subsidiaries or their respective associates pursuant to the Listing Rules, whose principal business is manufacturing and sales of bus in the Nanjing area, PRC.

Registered Capital of the Nanjing JV

The initial registered capital will be a total of RMB23.30 million (equivalent to approximately HK\$21.98 million), in which RMB13.98 million (equivalent to approximately HK\$13.19 million) in cash and RMB9.32 (equivalent to approximately HK\$8.79 million) in assets will be contributed by Zhongda Auto and the PRC JV Partner respectively. The JV Parties are intending to increase the registered capital to a total of RMB58.25 million (equivalent to approximately HK\$54.95 million) within two months from the date of the business license of the Nanjing JV being obtained. In total, the registered capital will be contributed as to RMB34.95 million (equivalent to approximately HK\$32.97 million) by Zhongda Auto and as to RMB23.30 million (equivalent to approximately HK\$21.98 million) by the PRC JV Partner, which are in proportion to their respective shareholdings of 60% and 40% respectively.

The registered capital is to be paid by Zhongda Auto in cash. The PRC JV Partner will contribute assets of net asset value (being the appraised value minus any liabilities or debts) equivalent to RMB23.30 million (equivalent to approximately HK\$21.98 million) for its respective share of registered capital.

Assets to be contributed by the PRC JV Partner

Under the Co-operation Agreement, it is agreed that the assets to be contributed by the PRC JV Partner will initially include certain fixed assets, plant and equipment, receivables, inventory, brandname and goodwill and land use right owned by the PRC JV Partner (the "Contributed Assets"). A definitive list of the Contributed Assets will be determined and agreed between the JV Parties before the contribution of registered capital in the Nanjing JV. An appraiser, who is independent and not connected with any directors, chief executive or substantial shareholders of the Company, its subsidiaries or their respective associates pursuant to the Listing Rules, (the "Appraiser") will be appointed by the JV Parties to verify the final value of the Contributed Assets upon execution of the Co-operation Agreement. The Contributed Assets will have to be legally owned by the PRC JV Partner and transferable. If any of the Contributed Assets is mortgaged, the title of such asset has to be clear and transferable and only the total net asset value of RMB23.30 million (equivalent to approximately HK\$21.98 million) will be calculated towards the contribution.

The value of the Contributed Assets is based on the Directors' view and experience on valuing and assessing such assets and the ultimate agreed value will be verified by the Appraiser. The Appraiser is required to base its evaluation on the rules set by the relevant authorities of the PRC government. If the valuation of the Contributed Assets as determined in the final report issued by the Appraiser differs from the pre-determined value of RMB23.30 million (equivalent to approximately HK\$21.98 million), the JV Parties have agreed to enter into a supplementary agreement as soon as practicable after the issuance of the Appraiser's valuation report in order to adjust the aggregate amount of the registered capital, so that the percentage of shareholding will remain unchanged, in accordance to the new resulting valuation. As a result, the adjustment will be settled by amending the cash contribution by Zhongda Auto in order to maintain the same percentage of shareholding.

Furthermore, the Directors will ensure that the Contributed Assets will be relevant and sufficient for the operation of the Nanjing JV.

Timing of Capital Contribution

Stage 1:

Within ten working days from the date of the Co-operation Agreement, Zhongda Auto shall contribute RMB2.4 million (equivalent to approximately HK\$2.26 million) in cash as the initial deposits for the registered capital of the Nanjing JV. Under the current relevant PRC regulations, the Nanjing JV can be established before the contribution of registered capital, therefore the Nanjing JV will be established as soon as practicable and upon the execution of relevant application and approval of relevant PRC authorities.

Stage 2:

Pursuant to the Co-operation Agreement and upon the establishment of the Nanjing JV when relevant documents and business license are obtained, the initial registered capital of RMB23.30 million (equivalent to approximately HK\$21.98 million) shall be contributed by the JV Parties within 15 days from the dispatch of the valuation report to be issued by the Appraiser. Zhongda Auto shall deduct RMB2.4 million (equivalent to approximately HK\$2.26 million) from the contribution of RMB13.98 million (equivalent to approximately HK\$13.19 million) at this stage since a deposit of RMB2.4 million (equivalent to approximately HK\$2.26 million) will have been paid within 10 days from the date of the Co-operation Agreement.

Stage 3:

Within two months from the business license of the Nanjing JV being obtained, the registered capital of the Nanjing JV shall be increased to RMB58.25 million (equivalent to approximately HK\$54.95 million) and the JV Parties shall contribute according to their respective shareholdings. Therefore, Zhongda Auto shall contribute additional RMB20.97 million (equivalent to approximately HK\$19.78 million) in cash for the increase in registered capital. The PRC JV Partner will contribute additional net assets that amount to RMB13.98 million (equivalent to approximately HK\$13.19 million) for its respective share of registered capital.

Capital Contribution Mechanism

It is agreed that the PRC JV Partner is allowed to inject all Contributed Assets in one lump sum in the amount of RMB23.30 million (equivalent to approximately HK\$21.98 million) in Stage 2, as it is more efficient and practical to inject and evaluate all assets in one lump sum. As a result, Zhongda Auto will contribute RMB11.58 million in cash (HK\$10.93 million) when and if the Contributed Assets is injected in Stage 2, and contribute additional RMB20.97 million (equivalent to approximately HK\$19.78 million) in cash in Stage 3 as the Contributed Assets will already have been injected in the Nanjing JV.

Based on the value of the Contributed Assets as determined by commercial negotiations and the experience in the automobile manufacturing industry in the PRC of the Directors, and a provision for future adjustment in case there is any discrepancy from a recognized valuation report, the Directors (including the Independent Non-Executive Directors) considered that the Co-operation Agreement which contemplates the injection of capital in such a way as described under this section is fair and reasonable, on normal commercial terms and are in the interests of the shareholders of the Company as a whole.

Total Investment

The total investment of the Nanjing JV is expected to equal to RMB58.25 million (equivalent to approximately HK\$54.95 million). Save as disclosed, there is no other capital commitment from the Company pursuant to the Co-operation Agreement.

Term

The term of the Nanjing JV will be determined in accordance with the relevant regulations (from a minimum term of 10 years) pursuant to the PRC laws when the Nanjing JV is established.

Equity Ratio

The Nanjing JV will be held as to 60% by Zhongda Auto and as to 40% by the PRC JV Partner.

Profit and loss sharing ratio

Profit and loss of the Nanjing JV will be shared by Zhongda Auto and the PRC JV Partner in proportion to their respective equity interest.

Board representation

The board of the Nanjing JV will comprise of not more than 5 directors to be appointed as to not more than 3 directors by Zhongda Auto and as to not more than 2 directors by the PRC JV Partner. The Company effectively has majority representation on the board of the Nanjing JV.

Scope of business of the Nanjing JV

The Nanjing JV will principally be engaged in the bus manufacturing and sales business in major cities in the PRC, which was one of the existing businesses of the PRC JV Partner and in the future, the PRC JV Partner will likely to operate such business through the Nanjing JV as a 40% joint venture partner only. The Directors have confirmed with the PRC JV Partner that such business has been profitable. In particular, the unaudited financial information provided by the PRC JV Partner shows that such existing business operated by the PRC JV Partner had net profits before tax of RMB1.1 million (equivalent to approximately HK\$1.04 million) and RMB2.5 million (equivalent to approximately HK\$2.36 million) for the years ended 31 December 2003 and 2002 respectively, and annual sales of RMB79.7 million and RMB110 million for the years ended 31 December 2003 and 2002 respectively. As the Nanjing JV will utilize the Contributed Assets for its operation, the bus manufacturing business will continue to source parts from suppliers in the PRC and other countries and produce buses in the acquired plant. The Nanjing JV will then produce buses under the brand name Jinling Brand and sell them to transportation and bus companies in major cities, such as Beijing, Tianjin, Nanjing and Guangzhou, in the PRC. The purpose of establishing the Nanjing JV is to leverage on the existing manufacturing expertise and sales network of the PRC JV Partner when the Company contributes new capital to grow the business.

Conditions

The establishment of the Nanjing JV is subject to the approval by the relevant PRC authorities. Application to the relevant PRC authorities for the establishment of the Nanjing JV will be made upon the execution of the Co-operation Agreement. Upon signing of the Co-operation Agreement, the JV Parties will begin the process of the establishment of the Nanjing JV and execute all relevant documents required, including but not limited to, a joint venture agreement and an article of association of the Nanjing JV. The establishment of the Nanjing JV is intended to be completed by 31 May 2004 pursuant to the Co-Operation Agreement. Further announcement will be made upon the establishment of the Nanjing JV.

The Co-operation Agreement will be terminated under the following conditions:

1. Zhongda Auto fail to contribute RMB2.4 million (equivalent to approximately HK\$2.26 million) in cash, respectively as the initial deposits for the registered capital of the Nanjing JV within 10 working days from the date of the Co-operation Agreement; and
2. the respective share of capital injection has not been completed by either JV Parties.

In the event of the Co-operation Agreement being terminated due to the above reasons, the default party will be obligated to indemnify the other non-default party all capital being contributed. In addition, the default party will indemnify the non-default party an amount of RMB0.4 million (equivalent to approximately HK\$0.38 million) per 10% shareholding in the Nanjing JV. Save as disclosed, the JV Parties have agreed that there is no provision on the interest incurred on the capital contributed or other indemnity.

Save as disclosed, the JV Parties have agreed that there is no provision on the consequence of delay or long-stop date except for the above termination condition.

The terms of the Co-operation Agreement are agreed upon after arm's length negotiation between the JV Parties and the Directors (including the Independent Non-Executive Directors) are of the view that the terms of the Co-operation Agreement are fair and reasonable, on normal commercial terms, and are in the interests of the shareholders of the Company as a whole.

FUNDING

The respective share of the Company's registered capital of the Nanjing JV is intended to be funded by internal resources of the Company. It is expected the investment in the Nanjing JV will have no adverse impact on the cash flow and gearing ratio of the Group.

REASONS FOR THE ESTABLISHMENT OF THE NANJING JV

The Group is principally engaged in the development, manufacture and sale of automobile equipment and provision of industrial surface treatment engineering equipment to various industries including the automobile, aircraft engineering and military industries. The automobile equipment and the surface treatment engineering equipment are for the repairing, testing and maintenance of automobiles. The Group's main business is carried out through Zhongda Machinery a 86.7% owned subsidiary of the Company.

Based on the Group's latest investment strategy to expand its related business through co-operation, the Directors consider that the establishment of the Nanjing JV is complementary to Group's current principal activities in the automobile industry in the PRC and believe that the Nanjing JV will expand the Group's market present in the automobile industry in the PRC as the automobile industry in the PRC as a whole is expected to expand. The establishment of Nanjing JV will not only give the Group a good opportunity to strengthen its position in automobile industry in the PRC, but also will contribute reasonable future income to the Group's consolidated accounts.

GENERAL

The establishment of Nanjing JV contemplated under the Co-operation Agreement constitutes a discloseable transaction of the Company under the Listing Rules as the value of the total Investment represents more than 15% and less than 50% of the consolidated net assets of the Company. A circular containing details of the Agreement will be dispatched to the Shareholders as soon as practicable within 21 days from the date of this announcement. The executive directors of the Company up to the date of this announcement are Mr. Xu Lian Guo, Mr. Xu Lian Kuan, and Mr. Zhang Yuqing; the independent non-executive directors of the Company up to the date of this announcement are Mr. Gu Yao Tian, Mr. Chan Wai Dune, and Mr. Li Xin Zhong.

DEFINITIONS OF TERMS USED IN THIS ANNOUNCEMENT

“Appraiser” A PRC state recognized official appraiser, who is independent and not connected with any directors, chief executive or substantial shareholders of the Company, its subsidiaries or their respective associates pursuant to the Listing Rules, to be appointed by the JV Parties upon the execution of the Co-operation Agreement to evaluate the Contributed Assets

“Board” The Board of Directors of the Company

“Co-operation Agreement”	A co-operation agreement dated 27 March 2004 in respect of the establishment of the Nanjing JV entered into between Zhongda Auto and the PRC JV Partner
“Company”	Zhongda International Holdings Limited, a company incorporated in Bermuda with limited liability whose Shares are listed on the Stock Exchange
“Contributed Assets”	The assets being contributed by the PRC JV Partner as the registered capital of the Nanjing JV. The assets will initially include certain fixed assets, plant and equipment, receivables, inventory, brandname and goodwill, and land use right.
“Directors”	The directors of the Company
“Group”	The Company and its subsidiaries
“JV Parties”	Zhongda Auto and the PRC JV Partner, being the joint venture parties of the Nanjing JV
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	The People’s Republic of China
“Nanjing JV”	南京金陵雙層客車製造有限公司 (Jiangsu Jinling Double Deck Bus Manufacturing Company Limited), a sino-foreign equity joint venture company incorporated in the PRC pursuant to the Co-operation Agreement
“RMB”	Renminbi, the lawful currency of the PRC
“PRC JV Partner”	江蘇金陵交運集團有限公司 (Jiangsu Jinling Transportation Group Limited), a company incorporated in the PRC with limited liability.
“Share(s)”	Ordinary share(s) of nominal value of HK\$0.10 each in the share capital of the Company
“Shareholders”	Shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“HK\$”	Lawful currency of the Hong Kong Special Administrative Region
“Zhongda Auto”	Zhongda International Automobile Assets Group Limited, a sole purpose investment holding company to hold 60% share capital of the Nanjing JV, incorporated in the British Virgin Islands on 14 April 2003, in which the entire share capital is 100% beneficially owned by the Company

“Zhongda Machinery”

Zhongda Automobile Machinery Manufacture Company Limited, a sino-foreign equity joint venture enterprise incorporated in the PRC, in which the Company is interested in 86.7% of the total issued share capital

For the purpose of this announcement, an exchange rate of HK\$1 = RMB1.06 has been adopted for illustrative purpose only.

By order of the Board
Zhongda International Holdings Limited
Xu Lian Guo
Chairman

Hong Kong, 1 April 2004

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