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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)

CONTINUING CONNECTED TRANSACTIONS

Reference is made to the Previous Announcement regarding (i) the expiry of waiver previously granted by the Stock Exchange to the Company from strict compliance with the disclosure requirement under the old Listing Rules (which ceased to become effective after 30th March, 2004) in respect of certain continuing connected transactions contemplated under the Agreements (as defined hereinafter); and (ii) the Company has made an application to the Stock Exchange for the Existing Waiver. On 9th January, 2004, such waiver for a period of three financial years ending 31st December, 2006 was granted by the Stock Exchange subject to the conditions mentioned in the Previous Announcement.

Pursuant to the new Listing Rules (which becomes effective since 31st March, 2004), (i) the annual aggregate value of each of the transaction contemplated under the Agreements (except the Purchase Agreement) fall within the de minimis threshold of Rule 14A.33 of the new Listing Rules and therefore each of the continuing connected transaction under the Agreements (except the Purchase Agreement) is exempted from the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the new Listing Rules.

The board of Directors announced that, with an aim to comply with the continuing connected transaction provisions of the new Listing Rules as well as to extend the expiry date of the Purchase Agreement which will be expired on 31st December, 2005, the Group has entered into the Supplemental Purchase Agreement with the same party of the Purchase Agreement on 23rd July, 2004 to amend the expiry date of the Purchase Agreement. Pursuant to the Supplemental Purchase Agreement, the expiry period of the Purchase Agreement will be altered to a period of three years from the date on which Independent Shareholders' approval in respect of the Supplemental Purchase Agreement is obtained at the SGM.

The underlying transactions pursuant to the Supplemental Purchase Agreement constitute continuing connected transactions of the Company under the Listing Rules and require Independent Shareholders' approval by way of a poll under Chapter 14A of the new Listing Rules.

The Existing Waiver will be revoked upon the approval of the Supplemental Purchase Agreement, the Transaction and the Cap is obtained from the Independent Shareholders at the SGM. Subject to obtaining of such approval from the Independent Shareholders, the Group will comply with the conditions set out in the section headed “Listing Rules Requirements for the Transaction” below in respect of the continuing connected transactions in relation to the Supplemental Purchase Agreement.

A circular setting out details of the Supplemental Purchase Agreement, the Transaction and the Cap, a letter from the independent financial advisor to the independent board committee and Independent Shareholders of the Company, a letter from the independent board committee of the Company to the Independent Shareholders and a notice to convene a SGM to approve the Supplemental Purchase Agreement, the Transaction and the Cap will be despatched to the shareholders of the Company as soon as practicable.

BACKGROUND

Reference is made to the Previous Announcement regarding, (i) the expiry of waiver previously granted by the Stock Exchange to the Company from strict compliance with the disclosure requirement under the old Listing Rules (which ceased to become effective after 30th March, 2004) in respect of certain continuing connected transactions contemplated under the agreements, namely (a) the Integrated Services Agreement; (b) the Trademark Licence Agreement; (c) the Patent Licence Agreement; (d) the Purchase Agreement; and (e) the Office Licence Agreement, collectively the “Agreements”; and (ii) the Company has made an application to the Stock Exchange for the Existing Waiver. On 9 January, 2004, such waiver for a period of three financial years ending 31st December, 2006 was granted by the Stock Exchange subject to the conditions mentioned in the Previous Announcement.

1. CONTINUING CONNECTED TRANSACTIONS

During 2001, the Group entered into the Agreements 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 (射陽縣新洋鄉村集體股) and approximately 42.36% by its employees. Mr. Xu Lian Kuan and Zhongda Industrial Group are therefore connected persons of the Company as defined under the Listing Rules. Accordingly, the transactions contemplated under the Agreements constitute continuing connected transactions for the Company under the Listing Rules.

Pursuant to the new Listing Rules (which becomes effective since 31st March, 2004), the transactions contemplated under the Agreements (except the Purchase Agreement) fall within the de minimis threshold of Rule 14A.33 of the new Listing Rules and therefore each of the continuing connected transaction under the Agreements (except the Purchase Agreement), is exempted from the reporting, announcement and Independent Shareholders’ approval requirements under Chapter 14A of the new Listing Rules.

On 23rd July, 2004, the Group, with an aim to comply with the continuing connected transaction provisions of the new Listing Rules (which becomes effective since 31st March, 2004) as well as to extend the expiry date of the Purchase Agreement which will be expired on 31st December, 2005, has entered into the Supplemental Purchase Agreement with the same party of the Purchase Agreement to amend the expiry date of the Purchase Agreement. Particulars of the Supplemental Purchase Agreement are set out below under the heading “The Supplemental Purchase Agreement”. Since the Supplemental Purchase Agreement is construed as supplementing and forming part of the Purchase Agreement, for detailed information in relation to the Purchase Agreement, please refer to the prospectus issued by the Company dated 22nd October, 2001 and the Previous Announcement respectively.

The Supplemental Purchase Agreement

On 1st January, 2001, Yancheng Celette and Yancheng Zhongda Industrial Equipment entered into the Purchase Agreement for a term of 5 years and expiring on 31st December, 2005.

On 23rd July, 2004, Yancheng Celette and Yancheng Zhongda Industrial Equipment entered into the Supplemental Purchase Agreement, pursuant to which the terms governing transactions contemplated under the Purchase Agreement will be amended to three years effective from the date on which Independent Shareholders’ approval in respect of the Supplemental Purchase Agreement is obtained at the SGM. The Supplemental Purchase Agreement will be expired three years from the date on which the aforesaid approval has been obtained. All other terms (except those related to the expiry of the agreement) of the Purchase Agreement will continue to be effective throughout the effective period of the Supplemental Purchase Agreement.

The board of Directors (including the independent non-executive Directors), having taken into consideration that the Group has since 2001 been purchasing various parts of “wheel alignors” products from Yancheng Celette and are of the view that the purchase from Yancheng Celette have been conducted (i) on an arm’s length basis; (ii) on normal commercial terms or on terms that are fair and reasonable so far as the Independent Shareholders are concerned; and the purchase of various parts of “wheel alignors” products from Yancheng Celette have been made in accordance with the terms of the Purchase Agreement, is of the opinion that the proposed extension of the expiry date of the Purchase Agreement which will be expired on 31st December, 2005 as well as the Supplemental Purchase Agreement itself is on normal commercial terms, fair and reasonable, in the best interests of the Company and its shareholders as a whole and have been entered into ordinary and usual course of business of the Group.

The Supplemental Purchase Agreement will become effective on the date on which Independent Shareholders’ approval is obtained on the SGM. In the event that approval from Independent Shareholders cannot be obtained, the Supplemental Purchase Agreement shall terminate on the date on which the SGM is held and the Purchase Agreement will be revived upon such termination. Further announcement will be made by the Company in this regard.

2. THE PURCHASE AGREEMENT, THE SUPPLEMENTAL PURCHASE AGREEMENT AND THE RELEVANT CAP

The Directors are of the view that the increase in purchases of various parts of “wheel alignors” products by Yancheng Zhongda Industrial Equipment from Yancheng Celette are the result of continuing economic growth in the PRC and an increasing number of vehicles in the PRC, both of which contributing to a rapid growth of the automobile industry in the PRC and stimulating the demand for automobile repair, maintenance and inspection equipment. The Directors have taken into consideration the recent policies in relation to macro control on the economy in the PRC. In this regard, to the best of their understandings, the Directors note that the Chinese Government emphasizes on the avoidance of “all in one” policy execution but instead implement control on specific sectors and assist the development of the other sectors within the same industry, therefore they are of the view that such policies will not have a significant adverse impact on the increasing number of vehicles in the overall automobile market.

PURCHASES FROM YANCHENG CELETTE FOR THE THREE YEARS ENDED 31ST DECEMBER, 2003

Set out below is a summary of the Transaction took place during the three financial years ended 31st December, 2003:

	Year ended 31st December, 2001 <i>RMB'000</i>	Year ended 31st December, 2002 <i>RMB'000</i>	Year ended 31st December, 2003 <i>RMB'000</i>
Purchase of products from Yancheng Celette	6,730	8,000	10,950
Total costs of purchases of the Group	102,900	105,610	162,050
% of the Transaction to the total costs of purchases of the Group	6.54%	7.58%	6.76%

According to the Group’s annual report for the year ended 31st December, 2003, the expansion of the automobile industry in the PRC has been stimulating the demand for the automobile repair, maintenance and inspection equipment. Furthermore, the Chinese automobile maintenance market has been transformed from a free market operation to planned development led by major automobile plants. In response to the market changes, corresponding measures have been adopted by the Company to proactively establish close partnership with major automobile manufacturers and to provide value-added services such as after sales and technical support services to the major automobile manufacturers. According to the unaudited management accounts of the Group for the four months ended 30th April, 2004 the total amount of Transaction during the aforesaid period amounted to approximately RMB4.66 million. The Directors anticipated that, based on (i) the Company’s unaudited management account for the four months ended 30th April, 2004 and (ii) the Group’s latest estimation (as of the date of this announcement) of the possible purchase of various parts of “wheel alignors” products from Yancheng Celette for the remaining period within the current financial year (ie. from 1st May, 2004 to 31st December, 2004) of approximately RMB14.84 million based on sales volume verbally committed by customers of the Company (which are likely to be materialized based on the past experience of the Directors) and the historical material cost

over sales percentage of approximately 70%, the estimated aggregate value of the Transaction will be approximately RMB19.5 million during the financial year ending 31st December, 2004. Furthermore, to the best estimation of the Directors, the respective businesses of the Group relating to the purchase from Yancheng Celette will further grow by approximately 10% and 22% respectively during the two financial years ending 31st December, 2006 for reasons that (i) the vehicle maintenance market in China grows with the increasing number of vehicles; (ii) both vehicles consumers and suppliers become more conscious and demanding in respect of quality of vehicle maintenance, with emphasis placed on both corrective and preventive maintenance instead of only corrective maintenance in the past, which add fuels to the overall market growth; (iii) demand for better vehicle maintenance equipments surges in China as driven by the increase in number of foreign brandname vehicles of higher quality; (iv) possible development of new products by the Group and Yancheng Celette; and (v) possible expansion of production capacity by Yancheng Celette to take up excess orders. The Group and Yancheng Celette intend to research and develop or import from overseas new products to cater customers' demand and to meet surging production capacity demands by increasing the number of shift of workers at the relevant production plant of Yancheng Celette. However, no concrete plan has been determined as of the date of this announcement. As such, the Directors estimate that the aggregate value of the Transaction will be approximately RMB21.4 million for the financial year ending 31st December, 2005 and approximately RMB26.2 million for the financial year ending 31st December, 2006. The Group purchases various parts of "wheel alignors" products which are components in the production process of the Group within the normal course of business of the Company. If the Transaction for such year exceeds the Cap, the Company is obliged to re-comply with rule 14A.35(3) and (4) in accordance with rule 14A.36.

CAP FOR THE TRANSACTION

According to the Existing Waiver, the aggregate annual amount of the transactions contemplated under the Agreements for each of the financial year of the Company must not exceed the higher of HK10,000,000 or 3% of the book value of the net tangible asset of the Group as disclosed in the latest published consolidated accounts for the relevant financial year.

Having taken into account the above-mentioned possible increase in the amount of Transaction, the Directors therefore estimate that the Cap shall not exceed RMB19.5 million for the financial year ending 31st December, 2004, RMB21.4 million for the financial year ending 31st December, 2005 and RMB26.2 million for the financial year ending 31st December, 2006. The basis of these values are determined with reference to (a) the annual amount of the Transaction during each of the three years ended 31st December, 2003 as shown in the tables above; (b) the total actual purchase amount from Yancheng Celette under the Purchase Agreement in the first four months of 2004; and (c) the anticipated growth in the Transaction since it is expected that the marketing demand for automobile and therefore the respective businesses of the Group relating to the purchase from Yancheng Celette will further grow during the two financial years ending 31st December, 2006.

LISTING RULES REQUIREMENTS FOR THE TRANSACTION

The Directors (including the independent non-executive Directors) consider that the transactions contemplated under the Supplemental Purchase Agreement as well as the relevant Cap are on normal commercial terms, in the ordinary and usual course of business, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Company will comply with the disclosure requirements and the Independent Shareholders' approval requirements under Rules 14A.45 to 14A.48 of the Listing Rules for the Transaction for the three financial years ending 31st December, 2006 subject to the following conditions:

1. the Transaction shall be:
 - (i) entered into by the Group in the ordinary and usual course of 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 Independent Shareholders are concerned; and
 - (iii) entered into in accordance with the terms of the agreement governing the Transaction;
2. the annual aggregate amount of the Transaction for each of the three financial years ending 31st December, 2006 of the Company shall not exceed the respective Cap set out in the paragraph headed "Cap for the Transaction" above;
3. the independent non-executive Director shall review the Transaction and confirm, in the Company's next and successive annual report, that the Transaction are conducted in the manner as stated in paragraphs 1, 2 above;
4. the Company's auditors shall review the Transaction annually and confirm in a letter (the "Letter") to the Directors (a copy of which shall be provided to the Stock Exchange) stating that the Transaction:
 - (i) have received the approval of the board of Directors;
 - (ii) have been entered into in accordance with the pricing policies as stated in the agreement governing the Transaction;
 - (iii) have been entered into in accordance with the terms of the agreement governing the Transaction; and
 - (iv) the annual aggregate amount of the Transaction shall not exceed the Cap in 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 possible;

5. details of the Transaction in each financial year shall be disclosed pursuant to Rules 14A.45(1) to 14A.45(5) of the Listing Rules in the published annual report of the Company for that financial year; and
6. the Company shall allow, and shall procure that Zhongda Industrial Group and Yanchang Celette undertake to the Stock Exchange that they allow the Company's auditors with full access to their relevant records for the purpose of the auditors' reviewing on the Transaction referred to in paragraph 4 above. The board of Directors must state in the annual report of the Company that whether its auditors have confirmed the meeting of conditions set out in paragraph 4 above.

The Company shall promptly notify the Stock Exchange and publish an announcement in the newspaper if it knows or has reason to believe that the independent non-executive Directors and/or auditors will not be able to confirm the matters set out in paragraphs 1 and 4 above.

If any terms of the Transaction as mentioned above 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 re-comply with Rules 14A.35(3) and (4) of the Listing Rules.

POSITION OF THE EXISTING WAIVER

As set out in the Previous Announcement, the Company has made an application for the Existing Waiver which is subject to, among other things, conditions mentioned in the Previous Announcement. The Existing Waiver was granted by the Stock Exchange on 9th January, 2004.

The Existing Waiver will be revoked upon the approving of the Supplemental Purchase Agreement, the Transaction and the Cap is obtained from the Independent Shareholders. As the aggregate annual value of each of the continuing connected transaction under the Agreements (except the Purchase Agreement) is within the de minimis threshold of Rule 14A.33 of the new Listing Rules and therefore each of the continuing connected transaction under the Agreement (except the Purchase Agreement) is exempted from the reporting, announcement and independent Shareholders' approval requirements under Chapter 14A of the new Listing Rules. Subject to the obtaining of approval from the Independent Shareholders in respect of the Cap, the Group will comply with the conditions set out in the section headed "Listing Rules Requirements for the Transaction" above in respect of the continuing connected transactions in relation to the Supplemental Purchase Agreement.

GENERAL

The Group is principally engaged in the development, manufacture and sale of automobile equipment and in the 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 being used for the repairing, testing and maintenance of automobiles.

Zhongda Industrial Group focuses its operation in the manufacture and sale of automobiles and providing steel structure design.

Yancheng Celette is principally engaged in the production of motor vehicles repair machineries.

Yancheng Zhongda Industrial Equipment is principally engaged in the manufacture and sale of automobile equipment.

A circular setting out details of the Supplemental Purchase Agreement, the Transaction and the Cap, a letter from the independent financial advisor to the independent board committee and Independent Shareholders of the Company, a letter from the independent board committee of the Company to the Independent Shareholders and a notice to convene a SGM to approve the Supplemental Purchase Agreement, the Transaction and Cap will be despatched to the shareholders of the Company as soon as practicable.

As at the date of this announcement, the board of Directors comprises of:

Executive Directors

Mr. Xu Lian Guo
Mr. Xu Lian Kuan
Mr. Zhang Yuqing

Independent non-executive Directors

Mr. Gu Yao Tian
Mr. Chan Wai Dune
Mr. Li Xin Zhong

DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise:

“Cap”	the maximum aggregate value of the Transaction contemplated under the Supplemental Purchase Agreement for each of the three financial years ending 31st December, 2006
“Company”	Zhongda International Holdings Limited, an exempted company with limited liability incorporated on 14th September, 2000 in Bermuda
“Directors”	the directors of the Company
“Existing Waiver”	the waiver from strict compliance with the requirements of the then Chapter 14 of the old Listing Rules (which ceased to become effective after 30th March, 2004) in respect of certain continuing connected transactions (including the continuing connected transaction in respect of the Transaction) granted by the Stock Exchange on 9th January, 2004
“Group”	the Company and its subsidiaries
“Independent Shareholders”	shareholders of the Company other than Mr. Xu Lian Kuan and his associates
“Integrated Services Agreement”	an integrated service agreement dated 31st August, 2001 entered into between the Company and Zhongda Industrial Group
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“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
“Previous Announcement”	the announcement made by the Company on 8th January, 2004 regarding, among other things, the continuing connected transactions in relation to the Agreements
“Purchase Agreement”	a purchase agreement dated 1st January, 2001 entered into between Yancheng Celette and Yancheng Zhongda Industrial Equipment
“SGM”	a special general meeting of the Company to be convened to consider and approve (by way of a poll) the Supplemental Purchase Agreement, the Transaction and the Cap
“Stock Exchange”	the Stock Exchange of Hong Kong Limited
“Supplemental Purchase Agreement”	a supplemental agreement to the Purchase Agreement dated 23rd July, 2004 entered into between Yancheng Celette and Yancheng Zhongda Industrial Equipment expiring three years from the date on which Independent Shareholders’ approval in respect of this agreement is obtained at the SGM
“Trademark Licence Agreement”	a trademark licence agreement dated 31st August, 2001 entered into between the Company and Zhongda Industrial Group
“Transaction”	transactions contemplated under the Purchase Agreement or the Supplemental Purchase Agreement (as the case may be) that the purchases of various parts of “wheel alignors” products by Yancheng Zhongda Industrial Equipment from Yancheng Celette at market price
“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%
“Yancheng 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%, Sheyang 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.
“RMB”	Renminbi, the lawful currency of the PRC

By order of the board of Directors
ZHONGDA INTERNATIONAL HOLDINGS LIMITED
Xu Lian Guo
Chairman

Hong Kong, 23rd July, 2004

“Please also refer to the published version of this announcement in The Standard”.