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**中大國際**

**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 AN AGREEMENT  
FOR THE ESTABLISHMENT OF A JOINT VENTURE  
IN THE PRC**

**Financial Adviser to the Company**



**KCG Securities Asia Limited**

On 17 November 2004, Zhongda Auto Ind., a wholly owned subsidiary of the Company and the PRC JV Partner entered into a Co-operation Agreement in relation to the establishment of a JV Company for the manufacturing and sales of buses in the PRC. The JV Company will be a sino-foreign equity joint venture in the Sichuan province. The detailed terms of the establishment of the joint venture are provided in the Co-operation Agreement.

Pursuant to the Co-operation Agreement, the total registered capital of the JV Company is agreed to be RMB22.45 million (equivalent to approximately HK\$21.18 million) and to be contributed as to RMB16.00 million (equivalent to approximately HK\$15.09 million) by Zhongda Auto Ind. representing 71% ownership of the JV Company and as to RMB6.45 million (equivalent to approximately HK\$6.08 million) by the PRC JV Partner representing 29% ownership of the JV Company. The JV Partner' contribution will be satisfied by injection of assets while Zhongda Auto Ind. will contribute their respective capital in the form of cash.

\* For identification purpose only

The PRC JV Partner and its ultimate beneficial owners are independent third parties and are not connected persons (as defined in the Listing Rules) of the Company 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 establishment of the JV Company constitutes a discloseable transaction of the Company under the Listing Rules and further details are set out below. A circular of the Company in relation to the establishment of the JV Company will be dispatched to its shareholders as soon as practicable and within 21 days from the date of this announcement.

#### **THE CO-OPERATION AGREEMENT DATED 17 NOVEMBER 2004**

On 17 November 2004, Zhongda Auto Ind. and the PRC JV Partner entered into a Co-operation Agreement relating to the establishment of the JV Company engaging in the manufacturing and sales of buses in the PRC. The JV Parties have agreed to establish the JV Company in accordance to the terms and conditions set out in the Co-operation Agreement as follows:-

#### **JV Parties**

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

四川省客車制造有限責任公司 (Sichuan Bus Manufacture Limited), a company incorporated in the PRC and its ultimate beneficial owners are independent third parties 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, whose principal business is manufacturing and sale of buses in the region of Sichuan, PRC. The PRC JV Partner will transfer all its production facilities to the JV Company immediately after the JV Company's business license is obtained and will not continue any production itself.

#### **Registered Capital of the JV Company**

The registered capital of the JV Company shall be RMB22.45 million (equivalent to approximately HK\$21.18 million) in which RMB16.00 million (equivalent to approximately HK\$15.09 million) in cash and RMB6.45 million (equivalent to approximately HK\$6.08 million) in assets will be contributed by Zhongda Auto Ind. and the PRC JV Partner respectively, which are in proportion to their respective shareholdings of 71% and 29% respectively.

The registered capital of the JV will be contributed by Zhongda Auto Ind. and the PRC JV Partner in the following manner:

- (i) RMB16.00 million (equivalent to approximately HK\$15.09 million) shall be contributed by Zhongda Auto Ind. in cash within 3 months from the date of the JV Company's business license is obtained; and
- (ii) RMB6.45 million (equivalent to approximately HK\$6.08 million) shall be contributed by the PRC JV Partner by way of assets injection (being the value assessed by the Director according to market value. An Auditor, who is independent and not connected with any directors, chief executive or substantial shareholders of the Company and the PRC JV Partner, their subsidiaries or their respective associates pursuant to the Listing Rules, will be appointed to verify the assets after the execution of the Co-operation Agreement.

**Total Investment**

The total investment of the JV Company is expected to be RMB22.45 million (equivalent to approximately HK\$21.18 million). Save as disclosed, there is no other capital commitment from the Company pursuant to the Co-operation Agreement.

**Business**

The JV Company will be principally engaged in the manufacturing and sales of buses and other related services and business in the PRC.

**Termination**

The JV Parties have an understanding that the Co-operation Agreement may be terminated under the following conditions:–

- (i) Zhongda Auto Ind. fails to contribute RMB16.00 million (equivalent to approximately HK\$15.09 million) in cash within 3 months from the date of the JV Company's business license is obtained; or
- (ii) PRC JV Partner fails to contribute RMB6.45 million (equivalent to approximately HK\$6.08 million) by way of assets injection immediately after the JV Company's business license is obtained.

The defaulting JV party is liable to compensate the other JV party the sum of 5% of the registered capital of the JV Company in case of the Co-operation Agreement be terminated.

**DRAFT PROPOSAL FOR THE BUSINESS OPERATION**

Furthermore, a draft proposal, which is to be concluded by the JV Parties, in relation to the detailed terms and conditions for the business operation of the JV Company is as follows:–

**Production**

The annual production of the JV Company is target at 1,500 buses, and it is estimated that the total annual capacity of the JV Company will be 2,500 buses. The production facilities of the JV Company including the plant and machineries shall be injected by the PRC JV Partner.

**Term**

20 years from the date of issue of the business licence of the JV Company, such term may be renewed six months before expiry provided that the approval for renewal from relevant PRC authority is obtained.

**Profit distribution**

Profits of the JV Company will be shared among the shareholders in proportion to their respective shareholdings in the JV Company.

**Board representation**

The board of directors of the JV Company comprises 4 directors. Zhongda Auto Ind. is entitled to appoint 3 directors while the PRC JV Partner is entitled to appoint 1 director. The Company effectively has majority representations in the board of the JV Company.

**REASONS FOR THE ESTABLISHMENT OF THE JV COMPANY**

The Directors consider that the terms and conditions of the Co-operation Agreement are fair and reasonable and in the interest of the Company so far as the Company and its shareholders are concerned. Currently, the Group is principally engaged in 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. The Group has already engaged in another joint venture in Nanjing, the counterparty of such joint venture and its ultimate beneficial owners are not connected with and independent of any directors, chief executive or substantial shareholders of the PRC JV Partner or any of its subsidiary and their associates and this is the second venture of similar nature.

Based on the Group's latest investment strategy to expand its related business through co-operation, since the Group's production capacity of bus manufacture in the Jiangsu Province is around 1,000 buses per annum, which is approaching 100% utilization rate, therefore, there is a need to expand further. The Directors consider that the establishment of the JV Company is complementary to the Group's current principal activities in the automobile industry in the PRC and believe that the JV Company will expand the Group's market presence in the automobile industry in the PRC as the automobile industry in the PRC as a whole is expected to expand. The establishment of the JV Company 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 at around first quarter to second quarter of 2005.

#### **GENERAL**

The establishment of the JV Company constitutes a discloseable transaction for the Company under the Listing Rules. A circular of the Company containing, among other matters, details of the establishment of the JV Company and information on the Company will be dispatched to the Company's 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, 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.

#### **TERMS USED IN THIS ANNOUNCEMENT**

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

“Auditor”	An independent professional auditor in the PRC;
“Board”	the board of Directors;
“Co-operation Agreement”	A co-operation agreement dated 17 November 2004 in respect of the establishment of the JV Company entered into between Zhongda Auto Ind. and the PRC JV Partner;
“Company”	Zhongda International Holdings Limited, a company incorporated in Bermuda with limited liability, whose shares are currently listed on the Stock Exchange;
“Directors”	the directors of the Company;
“Group”	the Company and its subsidiaries;
“JV Company”	四川中大峨嵋客車制造有限公司 (Sichuan Zhongda Emei Coach Manufacturing Limited), a sino-foreign equity joint venture company to be incorporated in the PRC pursuant to the Co-operation Agreement;
“JV Parties”	Zhongda Auto Ind. and the PRC JV Partner, being the joint venture parties of the JV Company;

“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange;
“PRC”	the People’s Republic of China;
“PRC JV Partner”	四川省客車制造有限責任公司 (Sichuan Bus Manufacture Limited), a company incorporated in the PRC with limited liability;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“RMB”	Renminbi, the lawful currency of the PRC;
“Shareholders”	Shareholders of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Zhongda Auto Ind.”	Zhongda International Automobile Industrial Limited incorporated in the British Virgin Islands on 14 April 2003, in which the entire share capital is 100% beneficially owned by the Company; and
“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 19 November 2004

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