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## **ZHONGDA INTERNATIONAL HOLDINGS LIMITED**

**中大國際控股有限公司\***

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 909)**

### **REVISION OF ANNUAL CAP UNDER ZHONGWEI BUS SALES AGREEMENT**

Reference is made to the 2007 Announcement by the Company on 23 August 2007 in connection with, inter alia, the Zhongwei Bus Sales Agreement regarding the sales by Zhong Da Group to Zhongwei Bus of products and raw materials, which constituted continuing connected transactions of the Company under the Listing Rules.

Taken into accounts of the Approved Cap having been met as at the date hereof, the existing sales orders of Zhongwei Bus on hand and the resultant expected surge in demand by Zhongwei Bus for the products and raw materials of Zhong Da Group, the continuing connected transactions contemplated under the Zhongwei Bus Sales Agreement should be catered to the Revised Cap, which will be as supplemented by the Zhongwei Bus Sales Supplemental Agreement. In such regard, the Company proposes to revise the Approved Cap for the continuing connected transactions under the Zhongwei Bus Sales Agreement to cater for the recent increasing demand of products and raw materials by Zhongwei Bus for each of the two years ending 31 December 2009. On 14 August 2008, Zhong Da International entered into the Zhongwei Bus Sales Supplemental Agreement with Zhongwei Bus in respect of the Revised Cap.

As the applicable percentage ratios for the Revised Cap for each of the two years ending 31 December 2009 are expected to exceed 2.5% and the annual consideration receivable from Zhongwei Bus is expected to exceed HK\$10 million, the continuing connected transactions under the Zhongwei Bus Sales Agreement as supplemented by the Zhongwei Bus Sales Supplemental Agreement with the Revised Cap constitute non-exempt continuing connected transactions of the Company under Rule 14A.35 of the Listing Rules and such transactions and the Revised Cap are subject to the reporting, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

A circular setting out details of the Zhongwei Bus Sales Agreement as supplemented by the Zhongwei Bus Sales Supplemental Agreement with the Revised 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 will be despatched to the Shareholders as soon as practicable.

## **Background**

On 23 August 2007, the Company announced, inter alia, the continuing connected transactions with Zhongwei Bus pursuant to the Zhongwei Bus Sales Agreement regarding the sales by Zhong Da Group to Zhongwei Bus of products and raw materials, details of which are disclosed in the 2007 Announcement. The continuing connected transactions under the Zhongwei Bus Sales Agreement and the Approved Cap had been approved by a special general meeting of the Company held on 25 October 2007 by way of poll.

### **Principal terms of the Zhongwei Bus Sales Agreement**

Zhong Da International entered into the Zhongwei Bus Sales Agreement with Zhongwei Bus on 23 August 2007 for a term of 3 years regarding the sales by Zhong Da Group to Zhongwei Bus of (i) products at the prevailing market price; and (ii) raw materials at a price based on the actual cost of production plus a profit margin of approximately 5 per cent respectively. The transactions contemplated under the Zhongwei Bus Sales Agreement are to be satisfied on cash basis with a payment term of 30 days.

The Zhongwei Bus Sales Agreement was entered into on an arm's length basis, on normal commercial terms in the ordinary and usual course of business of the Company and are fair and reasonable so far as the Company and the Shareholders are concerned.

Based on the unaudited financial statements of the Zhong Da Group for the year ended 31 December 2007 and for the six months ended 30 June 2008, which were prepared in accordance with the applicable PRC accounting standards, the sales by Zhong Da Group to Zhongwei Bus of products and raw materials amounted to approximately RMB52 million and RMB80 million, respectively. As at the date of this announcement, Zhong Da Group has not exceeded the Approved Cap.

### **Proposal to revise the Approved Cap**

Taken into accounts of the following reasons, the Company believes that the continuing connected transactions contemplated under the Zhongwei Bus Sales Agreement should be catered to the Revised Cap, which will be as supplemented by the Zhongwei Bus Sales Supplemental Agreement:-

- (1) the Approved Cap having been met as at the date of this announcement;
- (2) the existing sales orders of Zhongwei Bus on hand, in particular the sales orders to the Russian market (the "**Russian Sales**"). According to Zhongwei Bus, Zhongwei Bus had entered into sales contracts with Taganrog Automotive Plant (TagAZ), one of the largest and most modern car manufacturers in Russia, for the sale of 100 units of buses and coaches in CKD (completely knocked down) at a total turnover of approximately USD4.8 million and an additional sale of 1,200 units to be concluded before November 2008. The estimated aggregate turnover under the Russian Sales is expected to be exceeding USD50 million; and
- (3) the expected surge in demand by Zhongwei Bus for the products and raw materials of Zhong Da Group in view of the increased sales of Zhongwei Bus, in particular the Russian Sales.

In such regard, the Company proposes to revise the Approved Cap for the continuing connected transactions under the Zhongwei Bus Sales Agreement to cater for the recent increasing demand of products and raw materials by Zhongwei Bus for each of the two years ending 31 December 2009. On 14 August 2008, Zhong Da International entered into the Zhongwei Bus Sales Supplemental Agreement with Zhongwei Bus in respect of the Revised Cap. The Zhongwei Bus Sales Supplemental Agreement is conditional upon the approval of Independent Shareholders at the SGM having been obtained.

### **Revised Cap and Reason for the Revised Cap**

The Approved Cap and the Revised Cap for the two years ending 31 December 2009 are set out below:-

	<b>Year ending 31 December 2008</b>	<b>Year ending 31 December 2009</b>
	<i>RMB'000</i>	<i>RMB'000</i>
Approved Cap	80,000	80,000
Revised Cap	400,000	400,000

The Revised Cap is estimated based on various factors including but not limited to:

1. the sales of products and raw materials by Zhong Da Group to Zhongwei Bus under the Approved Cap for the year ending 31 December 2008 having been met as at the date of this announcement;
2. the existing purchase orders on hand from Zhongwei Bus, in particular the Russian Sales;
3. the business growth of Zhongwei Bus in the years 2008 and 2009; and
4. the expected surge in demand by Zhongwei Bus for the products and raw materials to be sold by Zhong Da Group as a result of items 2 and 3 above.

If the aggregate annual value of the continuing connected transactions under the Zhongwei Bus Sales Agreement as supplemented by the Zhongwei Bus Sales Supplemental Agreement exceeds the Revised Cap, the Company will further comply with all relevant requirements of Chapter 14A of the Listing Rules.

The transactions contemplated under the Zhongwei Bus Sales Agreement as supplemented by the Zhongwei Bus Sales Supplemental Agreement will continue to generate stream of revenue source to the Group. The Revised Cap will provide sufficient flexibility for the expansion in the Group's business. The Board (including the independent non-executive Directors) considers that the revision from the Approved Cap to the Revised Cap is in the usual and ordinary course of business of the Group, on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## **LISTING RULES REQUIREMENTS**

Zhongwei Bus is owned as to 65% by Zhongda Industrial Group. Zhongda Industrial Group is controlled by both Mr. Xu Lian Guo and Mr. Xu Lian Kuan, Directors and substantial shareholders of the Company. As such, Zhongwei Bus is a connected person of the Company as defined under the Listing Rules and the transactions contemplated under the Zhongwei Bus Sales Agreement as supplemented by the Zhongwei Bus Sales Supplemental Agreement constituted continuing connected transactions of the Company under the Listing Rules.

As the applicable percentage ratios for the Revised Cap for each of the two years ending 31 December 2009 are expected to exceed 2.5% and the annual consideration receivable from Zhongwei Bus is expected to exceed HK\$10 million, the continuing connected transactions under the Zhongwei Bus Sales Agreement as supplemented by the Zhongwei Bus Sales Supplemental Agreement with the Revised Cap constitute non-exempt continuing connected transactions of the Company under Rule 14A.35 of the Listing Rules and such transactions and the Revised Cap are subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. The Company is required to re-comply with Rule 14A.35(3) and (4) of the Listing Rules and this announcement is made pursuant to Rule 14A.36 of the Listing Rules.

As Mr. Xu Lian Guo, Mr. Xu Lian Kuan and Mr. Zhang Yuqing, Directors, are also directors of Zhongda Industrial Group, each of Mr. Xu Lian Guo, Mr. Xu Lian Kuan and Mr. Zhang Yuqing and their respective associates is required to abstain from voting in respect of the Zhongwei Bus Sales Agreement as supplemented by the Zhongwei Bus Sales Supplemental Agreement with the Revised Cap. As at the date of this announcement, both Mr. Xu Lian Guo and Mr. Xu Lian Kuan are commonly interested in 204,004,000 shares in the Company, representing approximately 38.5% of the issued share capital of the Company, and Mr. Zhang Yuqing is interested in 17,600,000 shares in the Company, representing approximately 3.3% of the issued share capital of the Company respectively. Mr. Xu Lian Guo, Mr. Xu Lian Kuan and Mr. Zhang Yuqing and their respective associates shall abstain from voting in respect of their shareholding at the SGM.

## **GENERAL**

The Group is principally engaged in design, manufacture and sale of automobile repair and maintenance equipment and provision of industrial surface treatment engineering equipment. The Group has been diversifying into the manufacturing of commercial vehicles.

Zhongwei Bus is principally engaged in the manufacture and sale of motor vehicles and automobile spare parts, trading of metals and the provision of maintenance services for motor vehicles.

A circular setting out details of the Zhongwei Bus Sales Agreement as supplemented by the Zhongwei Bus Sales Supplemental Agreement with the Revised 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 will be despatched to the Shareholders as soon as practicable.

## DEFINITIONS

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

“2007 Announcement”	announcement made by the Company on 23 August 2007 in relation to, inter alia, the continuing connected transactions under the Zhongwei Bus Sales Agreement
“Approved Cap”	the annual cap of RMB80,000,000 for the transactions contemplated under the Zhongwei Bus Sales Agreement for each of the two years ending 31 December 2009
“associates”	the term bearing the meanings ascribed to it under the Listing Rules
“Board”	the board of directors of the Company
“Company”	Zhongda International Holdings Limited, an exempted company incorporated in Bermuda with limited liability and whose shares are listed on the Stock Exchange
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“Independent Shareholders”	the Shareholders other than Mr. Xu Lian Guo, Mr. Xu Lian Kuan and Mr. Zhang Yuqing and their respective associates as defined under the Listing Rules
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China
“Revised Cap”	the annual cap of RMB400,000,000 for the transactions contemplated under the Zhongwei Bus Sales Agreement as supplemented by the Zhongwei Bus Sales Supplemental Agreement for each of the two years ending 31 December 2009
“Shareholders”	shareholders of the Company
“SGM”	a special general meeting of the Company to be convened to consider and approve (by way of a poll) the Zhongwei Bus Sales Agreement as supplemented by the Zhongwei Bus Sales Supplemental Agreement with the Revised Cap
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Zhongda Industrial Group”	Zhongda Industrial Group Corporation (中大工業集團公司), a company established under the laws of the PRC and is controlled by Mr. Xu Lian Guo and Mr. Xu Lian Kuan
“Zhong Da Group”	Zhong Da International and its subsidiaries and associated companies as a whole
“Zhong Da International”	Zhong Da International Limited, an indirect wholly-owned subsidiary of the Company
“Zhongwei Bus”	Yancheng Zhongwei Bus Manufacturing Co., Ltd. (鹽城中威客車有限公司), a company established under the laws of the PRC and is owned as to 65% by Zhongda Industrial Group
“Zhongwei Bus Sales Agreement”	a sales agreement dated 23 August 2007 entered into between Zhong Da International and Zhongwei Bus for the sales of products and raw materials by Zhong Da Group to Zhongwei Bus
“Zhongwei Bus Sales Supplemental Agreement”	a supplemental sales agreement dated 14 August 2008 entered into between Zhong Da International and Zhongwei Bus which is supplemental to the Zhongwei Bus Sales Agreement in respect of the Revised Cap
“%”	per cent.
“RMB”	Renminbi, the lawful currency of the PRC
“USD”	United States dollar, the lawful currency of the United States of America

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

Hong Kong, 14 August 2008

*As at the date of this announcement, the Board comprises Messrs. Xu Lian Guo, Xu Lian Kuan, Zhang Yuqing and Kwok Ming Fai as executive directors, and Messrs. Gu Yao Tian, Sun Ka Ziang Henry and Li Xinzhong as independent non-executive directors of the Company respectively.*

\* *For identification purpose only*