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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: 00909)**

### **CONNECTED AND DISCLOSEABLE TRANSACTION INVOLVING THE FORMATION OF A JOINT VENTURE FOR THE EMS PROJECT IN SOUTH AFRICA**

The Board is pleased to announce that ZD BVI, a wholly-owned subsidiary of the Company, has entered into the JV Agreement with SANTRADE, SANVETS and SJC on 19 May 2010 in relation to the proposed formation of the Joint Venture for the EMS Project in South Africa.

The Joint Venture will be owned initially as to 40% by ZD BVI, as to 30% by SANTRADE, as to 9% by SANVETS and as to 21% by SJC respectively. The proposed principal business activities of the Joint Venture are the construction and operation of the EMS Project, an exclusive electronic management system for the collection of Taxi fares as authorised by the relevant authorities in South Africa.

Pursuant to the Bus Shareholders' Agreement, SJC will be a substantial shareholder of SA United Zhongda, which, upon incorporation, will be a non-wholly owned subsidiary of the Company. The proposed principal business activity of SA United Zhongda is the import, distribution, marketing and sale of Taxis in South Africa. SJC is, therefore, a connected person of the Company within the meaning of the Listing Rules. As such, the entering into of the JV Agreement constitutes a connected transaction of the Company. Given certain applicable percentage ratio for the formation of the Joint Venture exceeds 5% but is less than 25%, the arrangements contemplated under the JV Agreement constitute a connected and discloseable transaction of the Company and is subject to the requirements of reporting, announcement and independent Shareholders' approval under the Listing Rules. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Shareholder has a material interest in the JV Agreement and, therefore, no Shareholder is required to abstain from voting on the resolutions to approve the entering into of the JV Agreement and the transactions contemplated thereunder.

\* For identification purposes only

An Independent Board Committee comprising all the independent non-executive Directors has been established by the Company to advise the independent Shareholders on the terms of the JV Agreement. An independent financial adviser will be appointed to advise the Independent Board Committee and the independent Shareholders in this regard.

A circular containing, among other things, (i) further details of the JV Agreement; (ii) letter from the Independent Board Committee; (iii) letter of advice from the independent financial adviser to the Independent Board Committee and the independent Shareholders in relation to the JV Agreement; and (iv) the notice of SGM at which resolutions will be proposed to be considered and, if thought fit, approve the JV Agreement, will be despatched by the Company to the Shareholders as soon as possible in accordance with the relevant provisions of the Listing Rules.

## **THE JV AGREEMENT**

A summary of the principal terms of the JV Agreement is set out below:

### **Date:**

19 May 2010

### **Parties:**

- (a) Zhong Da (BVI) Investments Limited (“**ZD BVI**”), a wholly-owned subsidiary of the Company;
- (b) Santaco Trading (Proprietary) Limited (“**SANTRADE**”);
- (c) SJC (S.A.) International Investment Group (Proprietary) Limited (“**SJC**”); and
- (d) Santaco Veterans (Proprietary) Limited (“**SANVETS**”).

ZD BVI, a wholly-owned subsidiary of the Company, is an investment holding company.

SJC is engaged in the business of investment, trading, operation, consulting and other businesses in, among others, South Africa and other allowed districts.

SANTRADE is a commercial trading company of SANTACO. SANTRADE possesses the exclusive rights of management of the trading activities carried out by SANTACO. SANTRADE is a company under SANTACO.

SANVETS is engaged in the business of promoting and lobbying the implementation of the EMS Project in various provinces in South Africa. SANVETS is a company under SANTACO.

On 8 April 2010, the Company announced that Zhongda (South Africa) Limited (“**Zhongda South Africa**”), a wholly-owned subsidiary of the Company, entered into the Bus Shareholders’ Agreement with SJC and Jicama 309 (Pty) Ltd. (“**Jicama**”), a special purpose company under SANTACO, to establish SA United Zhongda. Upon its incorporation, SA United Zhongda will be owned as to 50.5% by Zhongda South Africa, as to 41.5% by SJC and as to 8% by Jicama respectively.

SA United Zhongda, upon due incorporation, will be a non-wholly owned subsidiary of the Company. SJC, being a substantial shareholder of SA United Zhongda, is, therefore, a connected person of the Company under the Listing Rules.

Save for the above, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiry, SJC, SANTRADE and SANVETS and their respective ultimate beneficial owners are third parties independent of the Company and its connected persons (as defined in the Listing Rules).

### **Business scope of the Joint Venture**

The parties to the JV Agreement agreed to form the Joint Venture to engage in the business of construction and operation of the EMS Project, an exclusive electronic management system project for the collection of Taxies fares granted by relevant authorities, in South Africa.

Details of the EMS Project are set out in the section headed “The EMS Project” below.

### **Capital commitments**

Under the JV Agreement, ZD BVI agreed to provide financing for phase one of the EMS Project, subject to a maximum commitment of ZAR50,000,000 (equivalent to approximately HK\$51,500,000). Such amount of capital commitment is determined after arm’s length negotiations between the JV Parties taken into consideration the capital expenditure and working capital requirements of the Joint Venture which may be required for phase one of the EMS Project and the respective responsibilities of the JV Parties under the JV Agreement. ZD BVI will be responsible to source financial support and participating in management of the EMS Project and has the first right of refusal to provide the required finance for phase two of the EMS Project. Within 10 working days of the date of formation of the Joint Venture and the opening of its bank account, ZD BVI will make a capital contribution to the Joint Venture in the amount of US\$1,347,708 (equivalent to approximately HK\$10,512,000). It is expected that the Joint Venture will be formed and its bank account will be opened within 10 working days following the date of the JV Agreement.

The initial capital contribution in the amount of US\$1,347,708 will be funded by the internal resources of the Group. The remaining required capital contribution (subject to a maximum commitment of ZAR50,000,000) will be funded by the internal resources and/or equity, loan and available banking facilities of the Group.

## Shareholding

Upon its formation, the Joint Venture will be owned as to 40% by ZD BVI, as to 30% by SANTRADE, as to 9% by SANVETS and as to 21% by SJC respectively. The Joint Venture will become an associated company of the Company.

Under the “Building-Operating-Transfer” (BOT) mechanism contained in the JV Agreement, ZD BVI will transfer, at nominal considerations, portion of its shareholding in the Joint Venture to SANTRADE (or its duly appointed nominee) in the following manner:

<b>After the formation of the Joint Venture</b>	<b>Shareholding % to be transferred by ZD BVI</b>
At the beginning of the 11th year	8%
At the beginning of the 14th year	11%
At the beginning of the 19th year	6%

For the purpose of procuring finance for phase two of the EMS Project, only the shareholding of ZD BVI and SJC in the Joint Venture may be diluted if the finance is raised by means of equity.

## Board composition

The first board of directors of the Joint Venture will comprise 10 directors, 4 of whom will be nominated by ZD BVI, 3 of whom by SANTRADE, 1 of whom by SANVETS and 2 of whom by SJC.

## Principal responsibilities of the parties

SANTRADE and SANVETS will be responsible for assisting the Joint Venture to roll out the EMS Project, including but not limited to procuring that the Joint Venture will obtain all necessary authorisation from the relevant authorities in South Africa and ensuring that the EMS will be the exclusive way of electronic fare collection system for all Taxies in South Africa.

ZD BVI will be responsible for providing funding for phase one of the EMS Project, subject to a maximum commitment of ZAR50,000,000 and for sourcing financial support for phase two of the EMS Project.

SJC will be responsible for coordinating and facilitating the provision to the Joint Venture of all required professional consulting services, which may be required for preparing the executive plan, budget, business plan, financing solution, technical solution and project management relating to the EMS Project.

## **Profit sharing of the Joint Venture**

Under the EMS Project, the Joint Venture will receive a commission income of 5% from each transaction of fare collection from a Taxi. An additional 2% commission will be received by the Joint Venture for funding of the costs of the POS Machines and onboard commuter insurance and will be shared by the JV Parties.

Before the cost of the POS Machines purchased with the funding provided by ZD BVI is fully recovered, the additional 2% commissions will be shared as follows:

<b>JV Parties</b>	<b>%</b>
ZD BVI	58%
SANTRADE	17%
SANVETS	8%
SJC	17%

After the cost of the POS Machines purchased with the funding provided by ZD BVI is fully recovered, the additional 2% commissions will be shared as follows:

<b>JV Parties</b>	<b>%</b>
ZD BVI	30%
SANTRADE	35%
SANVETS	12%
SJC	23%

Save as disclosed above, the JV Parties will be entitled to profit-sharing in pro rata to their respective shareholdings in the Joint Venture.

## **Conditions to the JV Agreement**

The obligations of the JV Parties are conditional upon the Company having obtained the approval by the independent Shareholders at the SGM of the entering into of the JV Agreement and the transactions contemplated therein. In the event that the approval of the independent Shareholders is not obtained by the Company on or before 31 July 2010, the JV Agreement will be automatically terminated and, among others, any payment made by ZD BVI under the JV Agreement (including but not limited to the initial capital contribution in the amount of US\$1,347,708 payable by ZD BVI) will be returned and refunded to ZD BVI.

The Company will make further announcements in respect to any transactions contemplated by the Joint Venture pursuant to the Listing Rules, as and when applicable.

## **THE EMS PROJECT**

### **Background of SANTACO**

The South African National Taxi Council (SANTACO) is an association for taxi owners and drivers in South Africa. Taxi refers to the legal mini bus in South Africa. It carries 65% of the 2.5 billion annual passenger trips in the urban environment and serve as the base-load public transport carrier, both during peak and off-peak transport times. Currently, the number of Taxies controlled by SANTACO is over 120,000 units.

SANTACO is legally authorised by the Department of Transport of South Africa to construct and operate the EMS Project exclusively and indefinitely. SANTACO execute the EMS Project through the mechanism of “Building-Operating-Transfer” (BOT). SANTACO will procure that the EMS is the exclusive way of electronic fare collection for all Taxies in South Africa.

### **EMS Project**

Electronic Management System (EMS) refers to an electronic system used to collect fares. The EMS Project is to construct and operate an EMS on the Taxies controlled by SANTACO in South Africa. Under the mechanism of “Building-Operating-Transfer”, part of the shareholding of ZD BVI will be transferred to SANTRADE (or its duly appointed nominee) over a period of time following the construction and operation of the EMS Project. Details of the transfer of ZD BVI’s shareholding in the Joint Venture are set out in the sub-section headed “Shareholding” under the section headed “The JV Agreement” above.

The implementation of the EMS Project consists of two phases.

The scope of phase one includes two parts: (a) the replacement of the existing system which consist of 175 POS Machines, approximately 10,000 passenger cards and the existing clearing system; and (b) the establishment of a new EMS system in Pietermaritzburg or other districts approved by the board of the Joint Venture, ZD BVI and SANTRADE, which consists of about 3,000 POS Machines, 500,000 Passenger Cards and the relevant clearing system.

The scope of phase two of the EMS Project is envisaged to include approximately 90,000 to 100,000 POS Machines, about 10,000,000 Passenger Cards and the relevant clearing system. The construction schedule of phase two will be decided by the board of directors of the Joint Venture.

### **REASONS FOR ENTERING INTO THE JV AGREEMENT**

The Company is an investment holding company. The principal activities of the Company’s subsidiaries are the development, manufacture and sales of automobile equipment and buses and trading of commercial vehicles and automobile spare parts. The Directors expect that the entering into of the JV Agreement will provide an opportunity to allow the Group to diversify its business in South Africa. The Directors would expand the Company’s business from automobile sector to other sector when

opportunities arises with suitable business partners. The Company is optimistic that the EMS Project may extend to other public transport and even other industry segment later on. Furthermore, the Joint Venture will provide a recurring income stream to the Group in future. The Directors (excluding the independent non-executive Directors who will express their opinion after being advised by the independent financial adviser) consider that the terms of the JV Agreement are on normal commercial terms and are arrived at after arm's length negotiation, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## **IMPLICATION UNDER THE LISTING RULES**

SJC, by virtue of being a substantial shareholder of SA United Zhongda, is a connected person of the Company within the meaning of the Listing Rules. As such, the entering into of the JV Agreement constitutes a connected transaction of the Company under Chapter 14A the Listing Rules. Given certain applicable percentage ratio for the formation of the Joint Venture exceeds 5% but is less than 25%, the arrangements contemplated under the JV Agreement constitute a connected and discloseable transaction and is subject to the requirements of reporting, announcement and independent Shareholders' approval under the Listing Rules. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Shareholder has a material interest in the JV Agreement and, therefore, no Shareholder is required to abstain from voting on the resolutions to approve the entering into of the JV Agreement and the transactions contemplated thereunder.

An Independent Board Committee comprising all the independent non-executive Directors has been established by the Company to advise the independent Shareholders on the terms of the JV Agreement. An independent financial adviser will be appointed to advise the Independent Board Committee and the independent Shareholders in this regard.

## **GENERAL**

A circular containing, among other things, (i) further details of the JV Agreement; (ii) letter from the Independent Board Committee; (iii) letter of advice from the independent financial adviser to the Independent Board Committee and the independent Shareholders in relation to the JV Agreement; and (iv) the notice of SGM at which resolutions will be proposed to be considered and, if thought fit, approve the JV Agreement, will be despatched by the Company to the Shareholders as soon as possible in accordance with the relevant provisions of the Listing Rules.

## DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions will have the following meaning:

“associate”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“Bus Shareholders’ Agreement”	the agreement dated 1 April 2010 entered into between Zhongda (South Africa) Limited, a subsidiary of the Company, SJC and Jicama 309 (Pty) Ltd., further details of which are set out in the Company’s announcement dated 8 April 2010
“Company”	Zhongda International Holdings Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the main board of the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under Chapter 1 of the Listing Rules and as extended by Chapter 14A of the Listing Rules
“Directors”	the directors of the Company
“EMS”	the exclusive electronic management system to be constructed and operated by the Joint Venture for the collection of Taxies fares
“EMS Project”	the project of exclusively constructing and operating the EMS on the Taxies as contemplated under the JV Agreement
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the committee comprising all the independent non-executive Directors formed to advise the terms of the JV Agreement
“Joint Venture”	a company to be incorporated in South Africa with the JV Parties as its initial shareholders pursuant to the JV Agreement
“JV Agreement”	the agreement dated 19 May 2010 entered into between ZD BVI, SANTRADE, SJC and SANVETS regarding the formation of the Joint Venture



“JV Parties”	ZD BVI, SANTRADE, SJC and SANVETS, and each of them a “JV Party”
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Passenger Cards”	the smart cards which operate as digital purse and digital ticket in the EMS system
“POS Machine”	a point-of-sales machine working as a reader to communicate data with cards with function of storing and transferring data, and calculation
“PRC”	the People’s Republic of China, which, for the purpose of this announcement, excludes Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“SA United Zhongda”	a company whose proposed name is “SA United Zhongda (Proprietary) Limited” to be incorporated under the laws of South Africa pursuant to the shareholders’ agreement dated 1 April 2010 entered into between Zhongda (South Africa) Limited, a subsidiary of the Company, SJC and Jicama 309 (Pty) Ltd.
“SANTACO”	the South African National Taxi Council, an association for taxi owners and drivers incorporated under the laws of South Africa
“SANTRADE”	Santaco Trading (Proprietary) Limited, a company incorporated under the laws of South Africa
“SANVETS”	Santaco Veterans (Proprietary) Limited, a company incorporated under the laws of South Africa
“SGM”	a special general meeting of the Company to be convened for the purpose of considering and, if thought fit, approving, among others, the JV Agreement
“Shareholder(s)”	holder(s) of the shares of HK\$0.10 each in the capital of the Company
“SJC”	SJC (S.A.) International Investment Group (Proprietary) Limited, a company incorporated under the laws of South Africa
“South Africa”	The Republic of South Africa
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“substantial shareholder”	has the meaning ascribed to it under the Listing Rules
“Taxi(es)”	the legal mini bus(es) taxi(es) in South Africa under the control of SANTACO
“US\$”	United States dollar, the lawful currency of the United States of America
“ZAR”	South African Rand (ZAR), the lawful currency of South Africa
“ZD BVI”	Zhong Da (BVI) Investments Limited, a company incorporated under the laws of the British Virgin Islands and a wholly-owned subsidiary of the Company
“%”	per cent.

For the purpose of this announcement, the exchange rates of ZAR1.00 = HK\$1.03 and US\$1.00 = HK\$7.80 have been used for currency translation, where applicable. Such exchange rates are for illustration purposes and do not constitute a representation that any amount in ZAR, US\$ or HK\$ have been, could have been or may be converted at such rates.

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

Hong Kong, 19 May 2010

*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.*