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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)

MAJOR AND CONNECTED TRANSACTIONS

Financial adviser to the Company



THE FIRST SALE AND PURCHASE AGREEMENT

The Board announces that on 4 November 2010, Ausen Industrial, an indirect wholly-owned subsidiary of the Company, entered into the First Sale and Purchase Agreement with Mr. Cao and Zhongda Electric for the acquisition of a 65% equity interest in the Nanjing JV at a consideration of RMB200.00 million (equivalent to approximately HK\$233.92 million).

The Nanjing JV is principally engaged in the development of electric power system (including battery, motor and control system) to be used in electrical vehicles. The principal assets of the Nanjing JV include land, building, plant and machineries for the production of Power Battery developed by Mr. Cao.

* For identification purposes only

THE SECOND SALE AND PURCHASE AGREEMENT

The Board also announces that on 4 November 2010, ZITL, an indirect wholly-owned subsidiary of the Company, entered into the Second Sale and Purchase Agreement with Mr. Cao and Caesar for the acquisition of the entire issued share capital of Cherry Hill at a consideration of HK\$365.93 million (equivalent to approximately RMB312.87 million).

Cherry Hill is a trading company which has entered into the Exclusive Distribution Agreement with the Nanjing JV for the distribution of the products of the Nanjing JV in overseas markets other than the PRC.

Zhongda Electric is an indirect wholly-owned subsidiary of ZIG. ZIG is controlled by both Mr. Xu Lian Guo and Mr. Xu Lian Kuan, the Directors and substantial shareholders of the Company. Mr. Xu Lian Guo, Mr. Xu Lian Kuan and Mr. Zhang Yuqing, the Directors, are also directors of ZIG. As such, Zhongda Electric is a connected person of the Company as defined under the Listing Rules. Therefore, the First Sale and Purchase Agreement and the transactions contemplated thereunder constitute connected transactions of the Company for the purposes of Chapter 14A of the Listing Rules.

Caesar is wholly-owned by Mr. Xu Lian Guo, a Director and substantial shareholder of the Company. Mr. Xu Lian Guo and Mr. Zhang Yuqing, the Directors, are also directors of Cherry Hill. As such, Caesar and Cherry Hill are connected persons of the Company as defined under the Listing Rules. Therefore, the Second Sale and Purchase Agreement and the transactions contemplated thereunder constitute connected transactions of the Company for the purposes of Chapter 14A of the Listing Rules.

The Acquisitions are subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As the First Sale and Purchase Agreement and the Second Sale and Purchase Agreement are conditional on each other. Therefore, the Acquisitions will be aggregated as if they were one transaction pursuant to Rule 14.22 of the Listing Rules. The applicable Percentage Ratios of the aggregated Acquisitions are more than 25% but less than 100%, therefore, the Acquisitions also constitute a major transaction of the Company.

Mr. Xu Lian Guo, Mr. Xu Lian Kuan, Mr. Zhang Yuqing and their respective associates will abstain from voting in respect of the resolutions to approve the Acquisitions at the SGM.

An Independent Board Committee comprising the independent non-executive Directors has been formed to advise the Independent Shareholders on the terms of the Acquisitions, and an independent financial adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders on the terms of the Acquisitions.

CIRCULAR

A circular containing, among other information, (i) further details of the Acquisitions; (ii) a letter from an independent financial adviser containing its advice to the Independent Board Committee on the Acquisitions; (iii) the recommendations of the Independent Board Committee regarding the Acquisitions to the Independent Shareholders; and (iv) a notice of the SGM, will be despatched to the Shareholders as soon as practicable.

THE FIRST SALE AND PURCHASE AGREEMENT

The Board announces that on 4 November 2010, Ausen Industrial, an indirect wholly-owned subsidiary of the Company, entered into the First Sale and Purchase Agreement with Mr. Cao and Zhongda Electric for the acquisition of a 65% equity interest in the Nanjing JV.

Parties

- (i) Purchaser: Ausen Industrial, an indirect wholly-owned subsidiary of the Company
- (ii) Vendors:
 - (a) Zhongda Electric, an indirect wholly-owned subsidiary of ZIG and holds a 40% equity interest in the Nanjing JV; and
 - (b) Mr. Cao, who holds a 60% equity interest in the Nanjing JV.

Assets to be acquired

A 65% equity interest in the Nanjing JV, of which 40% of the equity interest will be acquired from Zhongda Electric and 25% of the equity interest will be acquired from Mr. Cao respectively.

Consideration

The aggregate consideration for the acquisition of the 65% equity interest in the Nanjing JV is RMB200.00 million (equivalent to approximately HK\$233.92 million), of which RMB80.00 million (equivalent to approximately HK\$93.57 million) will be payable to Zhongda Electric and RMB120.00 million (equivalent to approximately HK\$140.35 million) will be payable to Mr. Cao respectively. The consideration will be satisfied in the following manner:

- (i) a refundable deposit in the amount of RMB54.00 million (equivalent to approximately HK\$63.16 million) will be payable to Zhongda Electric within 21 business days from the date of the First Sale and Purchase Agreement or such other date as agreed by the parties in writing;
- (ii) a refundable deposit in the amount of RMB20.00 million (equivalent to approximately HK\$23.39 million) will be to payable to Mr. Cao within 21 business days from the date of the First Sale and Purchase Agreement or such other date as agreed by the parties in writing;

- (iii) a sum of RMB26.00 million (equivalent to approximately HK\$30.41 million) will be payable to Zhongda Electric upon completion of the First Sale and Purchase Agreement or such other date as agreed by the parties in writing; and
- (iv) a sum of RMB100.00 million (equivalent to approximately HK\$116.96 million) will be payable to Mr. Cao upon completion of the First Sale and Purchase Agreement or such other date as agreed by the parties in writing.

The consideration was arrived at after arm's length negotiations between the parties with reference to the preliminary valuation of the Nanjing JV conducted by an independent valuer. The Nanjing JV was valued at approximately RMB800.73 million (equivalent to approximately HK\$936.53 million) (and for 65% equity interest of the Nanjing JV being valued at approximately RMB520.47 million (equivalent to approximately HK\$608.74 million)) by using the discounted cash flow method, which was determined with reference to the projected income of the Nanjing JV. The consideration represents a discount of approximately 61.57% to the valuation of the Nanjing JV.

Conditions Precedent

Completion of the First Sale and Purchase Agreement is subject to and conditional upon the fulfilment of the following conditions on or before 31 December 2010 or such other date as agreed by the parties in writing:

- (a) Ausen Industrial being satisfied with the results of due diligence conducted in respect of the Nanjing JV;
- (b) all the approvals, consents, permits and filings necessary for the acquisition of the equity interest in the Nanjing JV from the relevant PRC government authorities having been obtained;
- (c) the Second Sale and Purchase Agreement becoming unconditional;
- (d) all the certificates and licenses necessary for the business operations of the Nanjing JV having been obtained and properly registered in the name of the Nanjing JV, and remaining valid and legal after completion of the First Sale and Purchase Agreement;
- (e) the land use rights, plants and other assets set out in the First Sale and Purchase Agreement having been properly registered in the name of the Nanjing JV;
- (f) the outstanding balance of the unpaid registered capital of RMB54 million of the Nanjing JV being settled by Mr. Cao and Zhongda Electric;
- (g) the warranties contained in the First Sale and Purchase Agreement remaining true and accurate in all respects;
- (h) the approval by the Independent Shareholders at the SGM of the First Sale and Purchase Agreement and the transactions contemplated thereunder; and

- (i) there having not occurred since 30 June 2010 in relation to the business, assets and operations of the Nanjing JV any unusual operations or any significant incidents involving liabilities for safe production or any material adverse changes or any material risks which were not previously disclosed.

The Company has the sole discretion to waive conditions (a), (c), (d), (f), (g) and (j). The First Sale and Purchase Agreement shall terminate if the conditions are not satisfied or waived (other than condition (i)) on or before 31 December 2010 or such other date as may be agreed by the parties in writing.

Completion

Completion of the First Sale and Purchase Agreement shall take place on the third business day after the conditions precedent are fulfilled or waived (other than conditions (h) and (i)) to the First Sale and Purchase Agreement) or such other date as the parties may agree in writing.

Undertaking from the vendors of the First Sale and Purchase Agreement

In the event that Mr. Cao fails to obtain the patent rights in relation to the Power Battery on or before the date falling one year from the date of the First Sale and Purchase Agreement, the compensation will be payable by Zhongda Electric and Mr. Cao, being the vendors of the First Sale and Purchase Agreement, to Ausen Industrial in the sum of RMB80.00 million (equivalent to approximately HK\$93.57 million) and RMB20.00 million (equivalent to approximately HK\$23.39 million) respectively.

THE SECOND SALE AND PURCHASE AGREEMENT

The Board also announces that on 4 November 2010, ZITL, an indirect wholly-owned subsidiary of the Company, entered into the Second Sale and Purchase Agreement with Mr. Cao and Caesar for the acquisition of the entire issued share capital of Cherry Hill.

Parties

- (i) Purchaser: ZITL, an indirect wholly owned subsidiary of the Company
- (ii) Vendors:
 - (a) Caesar, which holds a 65% equity interest in Cherry Hill and is wholly owned by Mr. Xu Lian Guo; and
 - (b) Mr. Cao, who holds a 35% equity interest in Cherry Hill.

Assets to be acquired

The entire issued share capital of Cherry Hill, of which 65% of the equity interest will be acquired from Caesar and 35% of the equity interest will be acquired from Mr. Cao respectively.

Consideration

The consideration for the entire issued share capital of Cherry Hill is HK\$365.93 million (equivalent to approximately RMB312.87 million), of which HK\$232.48 million (equivalent to approximately RMB198.77 million) will be payable to Caesar and HK\$133.45 million (equivalent to approximately RMB114.10 million) will be payable to Mr. Cao respectively. The consideration will be satisfied in the following manner:

- (i) a refundable deposit in the amount of approximately HK\$58.48 million (equivalent to approximately RMB50.00 million) will be payable to Caesar within 21 business days from the date of signing of the Second Sale and Purchase Agreement or such other date as agreed by the parties in writing;
- (ii) a sum of HK\$174.00 million (equivalent to approximately RMB148.77 million) will be settled by the issue of the Convertible Bonds with the Conversion Price of HK\$1.00 per Conversion Share to Caesar upon completion of the Second Sale and Purchase Agreement; and
- (iii) a sum of HK\$133.45 million (equivalent to approximately RMB114.10 million) will be settled by the allotment and issue of 157 million Consideration Shares at the Issue Price of HK\$0.85 per Share, credited as fully paid, to Mr. Cao upon completion of the Second Sale and Purchase Agreement.

The Consideration Shares represent approximately 14.92% of the existing issued share capital of the Company, approximately 12.98% of the issued share capital of the Company as enlarged by the issue of the Consideration Shares and approximately 11.35% of the issued share capital of the Company as enlarged by the issue of the Consideration Shares and the Conversion Shares which will fall to be issued upon full conversion of the initial principal amount of the Convertible Bonds respectively.

The Consideration Shares will be issued under a specific mandate to be sought from the Independent Shareholders at the SGM and will, upon issue, rank pari passu among themselves and with all other Shares in issue on the date of allotment and issue of the Consideration Shares.

The Issue Price of HK\$0.85 per Share represents:

- (i) a premium of approximately 8.97% of the closing price of HK\$0.780 per Share as quoted on the Stock Exchange on 4 November 2010, being the date of signing of the Second Sale and Purchase Agreement;
- (ii) a premium of approximately 10.10% of the average of the closing prices of HK\$0.772 per Share as quoted on the Stock Exchange over the last five consecutive trading days up to and including 4 November 2010;
- (iii) a premium of approximately 10.97% of the average of the closing prices of HK\$0.766 per Share as quoted on the Stock Exchange over the last ten consecutive trading days up to and including 4 November 2010; and

- (iv) a premium of approximately 103.35% over the audited consolidated net assets per Share (calculated as dividing the consolidated net asset value (after non-controlling interest) of the Group as published in the interim results of the Company for the six months ended 30 June 2010 by total number of issued Shares as at the date of this announcement) of approximately HK\$0.418 per Share as at the date of this announcement.

The Conversion Price of the Convertible Bonds of HK\$1.00 per Conversion Share represents:

- (i) a premium of approximately 28.21% of the closing price of HK\$0.780 per Share as quoted on the Stock Exchange on 4 November 2010, being the date of signing of the Second Sale and Purchase Agreement;
- (ii) a premium of approximately 29.53% of the average of the closing prices of HK\$0.772 per Share as quoted on the Stock Exchange over the last five consecutive trading days up to and including 4 November 2010;
- (iii) a premium of approximately 30.55% of the average of the closing prices of HK\$0.766 per Share as quoted on the Stock Exchange over the last ten consecutive trading days up to and including 4 November 2010; and
- (iv) a premium of approximately 139.23% over the audited consolidated net assets of the Company of approximately HK\$0.418 per Share (calculated as dividing the consolidated net asset value (after non-controlling interest) of the Group as published in the interim results of the Company for the six months ended 30 June 2010 by total number of issued Shares as at the date of this announcement) as at the date of this announcement.

The Issue Price and the Conversion Price were determined after arm's length negotiations between the parties with reference to the prevailing market price of the Shares. An application will be made to the Listing Committee of the Stock Exchange for the listing and permission to deal in the Consideration Shares and the Conversion Shares upon exercise of the Convertible Bonds.

The consideration of the Second Sale and Purchase Agreement was arrived at after arm's length negotiations between the parties with reference to the preliminary valuation of Cherry Hill conducted by an independent valuer. Cherry Hill was valued at approximately HK\$592.87 million (equivalent to approximately RMB506.90 million) by using the discounted cash flow method, which was determined with reference to the projected income of Cherry Hill based on the Exclusive Distribution Agreement. The consideration represents a discount of approximately 38.28% to the valuation of Cherry Hill.

Conditions Precedent

Completion of the Second Sale and Purchase Agreement is subject to and conditional upon the fulfilment of, among others, the following conditions on or before 31 December 2010 or such other date as agreed by the parties in writing:

- (a) ZITL being satisfied with the results of due diligence conducted in respect of Cherry Hill;

- (b) the First Sale and Purchase Agreement becoming unconditional;
- (c) the warranties contained in the Second Sale and Purchase Agreement remaining true and accurate in all respects;
- (d) the approval by the Independent Shareholders at the SGM of the Second Sale and Purchase Agreement and the transactions contemplated thereunder;
- (e) the granting by the Stock Exchange of an approval for the listing of, and permission to deal in, the Consideration Shares and the Conversion Shares; and
- (f) there having not occurred since 31 December 2009 in relation to the business, assets and operations of Cherry Hill any unusual operations or any significant incidents involving liabilities for safe production or any material adverse changes or any material risks which were not previously disclosed.

ZITL has the sole discretion to waive conditions (a), (b), (c) and (f). The Second Sale and Purchase Agreement shall terminate if the conditions are not satisfied or waived (other than conditions (d) and (e)) on or before 31 December 2010 or such other date as agreed by the parties in writing.

The Convertible Bonds

The principal terms of the Convertible Bonds to be issued by the Company will be as follows:

Principal amount: HK\$174.00 million (approximately RMB148.77 million), credited as fully paid at its face value as satisfaction of part of the consideration of the Second Sale and Purchase Agreement.

Maturity Date: The date falling the end of a 18-month period starting from the date of issue of the Convertible Bonds.

Unless previously converted, the principal amount of the Convertible Bonds will be repaid by the Company on the Maturity Date.

Interest: Nil

Conversion:

Provided that (any conversion of the Convertible Bonds does not trigger a mandatory offer obligation under Rule 26 of the Takeovers Code on the part of the relevant holder of the Convertible Bonds who exercises the conversion rights, whether or not such mandatory offer obligation is triggered by the fact that the number of Conversion Shares to be allotted and issued upon the exercise of the conversion rights attaching to the Convertible Bonds and, if applicable, together with any Shares already owned or agreed to be acquired by such holder of Convertible Bonds and/or parties acting concert with it, represents 30% or more (or such other percentage as stated in Rule 26 of the Takeovers Code in effect from time to time) of the then issued ordinary share capital of the Company or otherwise pursuant to other provisions of the Takeovers Code, the holder(s) of the Convertible Bonds shall have the right to convert the whole or any part (in an amount or integral multiple of HK\$10,000,000 or if the aggregate outstanding principal amount is less than HK\$10,000,000, the entire outstanding amount of the Convertible Bonds) of the outstanding principal amount of the Convertible Bonds into Shares at any time from the date of issue up to the Maturity Date at the Conversion Price of HK\$1.00 per Conversion Share (subject to adjustment). To the extent not previously converted, the Company shall redeem the Convertible Bonds in cash at maturity.

The Bondholder(s) will comply with the requirements under the Takeovers Code upon the exercise of the conversion rights attached to the Convertible Bonds. Notwithstanding the conversion rights attached to the Convertible Bonds, the Bondholder(s) will not exercise the Convertible Bonds and the Company shall not issue any Shares if, upon such issue, the public float of the Company will fall below 25% of its total issued share capital.

The Conversion Price of the Convertible Bonds is subject to adjustment provisions customary for convertible securities of similar type. The adjustment events will arise as a result of certain changes in the share capital of the Company including consolidation or sub-division of shares, capitalization of profits or reserves, capital distributions in cash or specie or subsequent issue of securities in the Company at substantial discount to market value.

- Redemption:* Unless previously converted or lapsed or redeemed by the Company, the Company will redeem the Convertible Bonds on the Maturity Date.
- The Company may at any time before the Maturity Date by serving at least thirty days' prior written notice on the Bondholder(s) with the total amount proposed to be redeemed from the Bondholder(s) specified therein, redeem the Convertible Bonds (in whole or in part) at par value.
- Any amount of the Convertible Bond(s) which remains outstanding on the Maturity Date shall be redeemed at its then outstanding principal amount, inclusive interest as accrued.
- Conversion Shares:* On the basis of the principal amount of HK\$174.00 million (approximately RMB148.77 million) and the initial conversion price of HK\$1.00 per Conversion Share, a total of 174,000,000 Conversion Shares will be issued upon full conversion of the Convertible Bonds. The Conversion Shares will upon issue rank pari passu in all respects with the then issued Shares.
- Listing:* No application will be made for the listing of the Convertible Bonds on any stock exchange. Application will be made for the listing of and permission to deal in the Conversion Shares on the Stock Exchange.
- Voting:* Holder(s) of the Convertible Bonds, will not be entitled to attend or vote at any general meetings of the Company by reason only of it being the Convertible Bonds holder.
- Transferability:* The Convertible Bonds may not be transferable without the prior written consent of the Company.

Completion

Completion of the Second Sale and Purchase Agreement will take place on the third business day after the conditions precedent (other than condition (c)) to the Second Sale and Purchase Agreement are fulfilled or waived (as the case may be) or such other date as the parties may agree in writing.

Undertaking from the vendors of the Second Sale and Purchase Agreement

In the event that Mr. Cao fails to obtain the patent rights in relation to the Power Battery on or before the date falling one year from the date of the First Sale and Purchase Agreement, the compensation will be payable by Caesar and Mr. Cao, being the vendors of the Second Sale and Purchase Agreement, to ZITL in the sum of HK\$232.48 million (equivalent to approximately RMB198.77 million) and HK\$133.45 million (equivalent to approximately RMB114.10 million) respectively.

IMPLICATION OF THE LISTING RULES

Connected transactions

Zhongda Electric is an indirect wholly-owned subsidiary of ZIG. ZIG is controlled by both Mr. Xu Lian Guo and Mr. Xu Lian Kuan, the Directors and substantial shareholders of the Company. Mr. Xu Lian Guo, Mr. Xu Lian Kuan and Mr. Zhang Yuqing, the Directors, are also directors of ZIG. As such, Zhongda Electric is a connected person of the Company as defined under the Listing Rules. Therefore, the First Sale and Purchase Agreement and the transactions contemplated thereunder constitute connected transactions of the Company for the purposes of Chapter 14A of the Listing Rules.

Caesar is wholly-owned by Mr. Xu Lian Guo, a Director and substantial shareholder of the Company. Mr. Xu Lian Guo and Mr. Zhang Yuqing, the Directors, are also directors of Cherry Hill. As such, Caesar and Cherry Hill are connected persons of the Company as defined under the Listing Rules. Therefore, the Second Sale and Purchase Agreement and the transactions contemplated thereunder constitute connected transactions of the Company for the purposes of Chapter 14A of the Listing Rules.

The Acquisitions are subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Major Transaction

As the First Sale and Purchase Agreement and the Second Sale and Purchase Agreement are conditional on each other. Therefore, the Acquisitions will be aggregated as if they were one transaction pursuant to Rule 14.22 of the Listing Rules. The applicable Percentage Ratios of the aggregated Acquisitions are more than 25% but less than 100%, therefore, the Acquisitions also constitute a major transaction of the Company and are subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

Mr. Xu Lian Guo, Mr. Xu Lian Kuan, Mr. Zhang Yuqing and their respective associates will abstain from voting in respect of the resolutions to approve the Acquisitions at the SGM.

INFORMATION ON THE NANJING JV

The Nanjing JV was established in the PRC and is currently owned as to 40% by Zhongda Electric and as to 60% by Mr. Cao respectively. As at the date of this announcement, the registered capital of the Nanjing JV in the amount of RMB46 million has been paid up whilst the remaining balance of RMB54 million will be payable by Mr. Cao and Zhongda Electric before Completion respectively.

The Nanjing JV is principally engaged in the development of the electric power system (including battery, motor and control system) to be used for the electric vehicle. The principal asset of the Nanjing JV include the land, building, plant and machineries for the production of the Power Battery developed by Mr. Cao. The current production capacity of the Power Battery by Nanjing JV is 12 million Ampere hour (Ah).

It is expected that the Nanjing JV will take roughly two years to construct six additional production lines while the production capacity will become 2,000 units of electric power system. The plant is expected to be operated in full capacity in Year 2013.

The use rights of the technology know-how granted to the Nanjing JV relates to the manufacturing of vanadium lithium iron phosphate batteries (the Power Battery) and control system for electrical vehicles. The Power Battery could support vehicle running cumulative mileage over 500,000 km. For every single standard charging of the battery, it would support a mileage for more than 500 km. In July 2009, the Nanjing JV co-operated with Nanjing Zhongda Jinling Double-decker Bus Manufacture Company Limited, a subsidiary of the Company, to develop a single and a double decker electrical bus equipped with the electric power system and performed a trial run from Beijing to Tangshan and then returned back to Beijing. The activity was known to the longest distance recorded for pure electric bus trial run in the PRC at that time which travelled 7.5 hours and 452 km from a single charge. The event was witnessed by more than 20 multi-media and automobile association such as China Road Transport Association (中國道路運輸協會), China Highway and Transportation Society – Bus Branch (中國公路學會客車分會), China Central Television (中央電視台), Beijing Television (北京電視台) and <http://www.chinabuses.com> (中國客車網) etc. In 2010, Nanjing JV co-operated with 鹽城中威客車有限公司 (Yancheng Zhongwei Bus Manufacturing Co., Ltd.*), an associate of the Company, and successfully developed pure electric coaches and sold to 天津交通集團 (Tianjin Public Transport Group*). The coaches were used in a Summer Devos World Economic Forum and received good response.

The Power Battery was developed by Mr. Cao, who is a scientist specialized in the research and development of the Power Battery. Mr. Cao had invented various kinds of batteries with corresponding patents registered. Based on the research results of Mr. Cao, he believes that the Power Battery would be the ideal type of batteries to be used in commercial vehicles considering: (i) its relative lower cost of production; (ii) its larger capacity and longer battery life; and (iii) its higher degree of stability and safety.

Based on the unaudited management accounts of the Nanjing JV, for the financial period from 1 January 2010 to 30 September 2010, the net asset value of Nanjing JV was approximately RMB41.05 million (equivalent to approximately HK\$48.01 million) as at the end of this period and the net loss before and after taxation and extraordinary items for this period were both of approximately RMB4.11 million (equivalent to approximately HK\$4.81 million). Furthermore, during the financial period from the establishment date of the Nanjing JV to 31 December 2009, the net asset value of Nanjing JV was approximately RMB45.16 million (equivalent to approximately HK\$52.82 million) as at the end of this period and the net loss before and after taxation and extraordinary items for this period were both of approximately RMB844,842 (equivalent to approximately HK\$988,119).

INFORMATION ON CHERRY HILL

Cherry Hill is a company incorporated in the BVI. It has entered into the Exclusive Distribution Agreement with the Nanjing JV whereby it is the exclusive distribution agent for the products of the Nanjing JV in the overseas markets other than the PRC.

Based on the unaudited management accounts of Cherry Hill for the period from its date of incorporation to 30 September 2010, Cherry Hill recorded both a net loss and the net liabilities of approximately HK\$10,000.

REASONS FOR THE ACQUISITIONS

The Group is principally engaged in the development, manufacture and sales of automobile equipment and buses and trading of automobile spare parts.

In 2009, ZIG co-operated with Hubei Qingshan Energy Research Laboratory (wholly owned by Mr. Cao) to create their first pure electric bus. The prototype had outperformed all other similar products and the Power Battery had obtained accreditation from corresponding authority in the PRC. In Year 2010, ZIG formed a joint venture (the Nanjing JV) with Mr. Cao to commercialize the production of Power Battery products. As stated in the 2009 annual report of the Company, it's the Group's intention to participate in the Nanjing JV to capture the future demand of the power battery products.

The Directors are of the view that the Acquisitions are in line with the Group's future strategies as stated in the Company's 2009 annual report. The Directors consider that the Acquisitions represent the Group's product expansion into the newly developed Power Battery with good market potentials, which will become a new revenue source of the Group.

Furthermore, with the Group's existing production lines of electric vehicles, the Acquisitions represent a vertical integration of the Group to upstream the products division. The Directors believe that the Acquisitions would have synergy effects to the Group's operations, and could improve the overall profitability of the Group.

Over the years, energy conservation and emission reduction are the long-term tendency of the development of the global automobile industry. Recently, the government of United States of America, European Union and Japan implemented a series of policies to support the development of new energy automobile industry. On 23 January 2009, the PRC government issued the New Energy Automotive Sample Scheme to expand the provision of subsidies for the purchase of hybrid, electric and alternative fuel vehicles to around 20 cities. It is anticipated that, through the implementation of this scheme, the PRC's new energy automobile industry would become one of the highest growing industries of the national economy.

EFFECT ON SHAREHOLDING STRUCTURE OF THE COMPANY

Set out below is a summary of the shareholding in the Company (i) as at the date of this announcement; (ii) immediately after the issue of the Consideration Shares upon completion of the Second Sale and Purchase Agreement; and (iii) after completion of the Second Sale and Purchase Agreement and upon full conversion of the Conversion Bonds, each prepared on the basis that there would be no changes in the issued share capital of the Company after the date of this announcement other than as stated in each scenario.

	As at the date of this announcement		Immediately after allotment and issue of the Consideration Shares upon Completion before full conversion of the Convertible Bonds		After Completion after allotment and issue of the Consideration Shares and upon full conversion of the Convertible Bonds	
	Number of Shares	%	Number of Shares	%	Number of Shares	%
Zhong Da (BVI) Limited (<i>Note 1</i>)	294,004,000	27.94	294,004,000	24.31	294,004,000	21.25
Caesar (<i>Note 2</i>)	–	–	–	–	174,000,000	12.58
Mr. Cao	–	–	157,000,000	12.98	157,000,000	11.35
Other public shareholders	758,319,719	72.06	758,319,719	62.71	758,319,719	54.82
Total	<u>1,052,323,719</u>	<u>100.00</u>	<u>1,209,323,719</u>	<u>100.00</u>	<u>1,383,323,719</u>	<u>100.00</u>

Notes:

- (1) Zhong Da (BVI) Limited is beneficially owned as to 57.22% by Mr. Xu Lian Guo and as to 42.78% by Mr. Xu Lian Kuan respectively.
- (2) Caesar is wholly owned by Mr. Xu Lian Guo.
- (3) The numbers are for illustration only. Pursuant to the terms and conditions of the Convertible Bonds, holder(s) of the Convertible Bond may exercise all or part of the Convertible Bonds provided that the issue of the relevant Conversion Shares to it/them shall not trigger any general offer obligation on the part of the relevant Convertible Bonds holder who exercises the Convertible Bonds. For further details, see the paragraph headed “The Convertible Bonds” in earlier section.

GENERAL

The SGM will be convened by the Company at which ordinary resolutions will be proposed to approve the First Sale and Purchase Agreement, the Second Sale and Purchase Agreement and the transactions contemplated thereunder, including the allotment and issue of the Consideration Shares and the issue of the Convertible Bonds and the Conversion Shares which will fall to be allotted and issued upon conversion of the Convertible Bonds respectively.

An Independent Board Committee comprising the independent non-executive Directors has been formed to advise the Independent Shareholders on the terms of the Acquisitions, and an independent financial adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders on the terms of the Acquisitions.

A circular containing, among others, including but not limited to, details of the First Sale and Purchase Agreement and the Second Sale and Purchase Agreement, an accountants' report on the Targets, the financial information of the Group and the notice of the SGM will be despatched to the Shareholders as soon as practicable.

DEFINITIONS

“Acquisitions”	together, the proposed acquisitions of the 65% equity interest of the Nanjing JV and the entire share capital of Cherry Hill
“associates”	has the meaning ascribed to it under the Listing Rules
“Ausen Industrial”	鹽城奧申工業裝備制造有限公司 (Yancheng Ausen Industrial Equipment Manufacture Co., Ltd.*), a company established in the PRC and is an indirect wholly owned subsidiary of the Company
“Board”	board of Directors
“Bondholder(s)”	holder(s) of the Convertible Bonds
“BVI”	the British Virgin Islands
“Caesar”	Caesar Overseas Enterprise Inc., a limited liability company incorporated in the BVI and is wholly owned by Mr. Xu Lian Guo
“Cherry Hill”	Cherry Hill Enterprise Ltd., a limited liability company incorporated in the BVI and is owned as to 65% by Caesar and as to 35% by Mr. Cao respectively
“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

“Completion”	together, completions of the First Sale and Purchase Agreement and the Second Sale and Purchase Agreement
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Convertible Bonds”	the convertible bonds in the principal amount of HK\$174.00 million (approximately RMB148.77 million) to be issued by the Company in favour of Caesar at completion of the Second Sale and Purchase Agreement to satisfy in part of the consideration
“Conversion Price”	the price at which holder(s) of the Convertible Bonds may convert the principal amount outstanding under the Convertible Bonds into the Conversion Shares, initially at HK\$1.00 per Conversion Share subject to the terms and conditions described in this announcement
“Consideration Share(s)”	157,000,000 new Shares to be allotted and issued to Mr. Cao for the settlement of the consideration under the Second Sale and Purchase Agreement
“Conversion Share(s)”	the 174,000,000 new Shares which will fall to be issued upon full conversion of the initial principal amount of the Convertible Bonds of HK\$174.00 million (approximately RMB148.77 million) at the initial conversion price of HK\$1.00 per Conversion Share
“Director(s)”	director(s) of the Company
“Exclusive Distribution Agreement”	the agreement entered into between Nanjing JV and Cherry Hill whereby Nanjing JV granted the exclusive rights to Cherry Hill for the distribution of the products of the Nanjing JV in the overseas markets other than the PRC
“First Sale and Purchase Agreement”	the sale and purchase agreement dated 4 November 2010 entered into between Mr. Cao, Zhongda Electric and Ausen Industrial in relation to the acquisition of a 65% equity interest of the Nanjing JV
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

“Independent Board Committee”	the independent board committee of the Company formed by the Company to advise the Independent Shareholders as to whether the terms of the Acquisitions are fair and reasonable and whether the Acquisitions are in the interests of the Company and the Shareholders as a whole
“Independent Shareholders”	the Shareholders other than Mr. Xu Lian Guo, Mr. Xu Lian Kuan, Mr. Zhang Yuqing and their respective associates within the meaning of the Listing Rules
“Issue Price”	the issue price of HK\$0.85 per Consideration Share
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Maturity Date”	the date falling the end of a 18-month period starting from the date of issue of the Convertible Bonds
“Mr. Cao”	Mr. Cao Qing Shan (曹青山)
“Nanjing JV”	南京中大青山電動汽車有限公司 (Nanjing Zhongda QingShan Electric Vehicle Company Limited*), a company established in the PRC and is owned as to 40% by Zhongda Electric and as to 60% by Mr. Cao
“Percentage Ratio”	the “percentage ratios” as defined in Rule 14.04(9) of the Listing Rules
“Power Battery”	the vanadium lithium iron phosphate battery (鋰離子磷酸鐵鈦鋰電池)
“PRC”	the People’s Republic of China, and for the purpose of this announcement, excludes Hong Kong, Macau Special Administrative Region of the PRC and the Taiwan region
“RMB”	Renminbi, the lawful currency of the PRC
“Second Sale and Purchase Agreement”	the sale and purchase agreement dated 4 November 2010 entered into between Caesar, Mr. Cao and ZITL in relation to the acquisition of entire issued share capital of Cherry Hill
“SGM”	the special general meeting of the Company to be convened for the purpose of considering, and if thought fit, approving the Acquisitions and the transactions contemplated thereunder
“Share(s)”	share(s) of HK\$0.10 each in the share capital of the Company

“Shareholder(s)”	holder(s) of Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	The Hong Kong Code on Takeovers and Mergers
“Targets”	the Nanjing JV and Cherry Hill
“Zhongda Electric”	中大電動汽車有限公司 (Zhongda Electric Vehicle Company Limited*), a company established in the PRC and is an indirect wholly-owned subsidiary of ZIG
“ZIG”	中大工業集團公司 (Zhongda Industrial Group Corporation*), a company established under the laws of the PRC and is jointly controlled by Mr. Xu Lian Guo and Mr. Xu Lian Kuan
“ZITL”	Zhongda International Trading Limited, a company incorporated in Hong Kong and is an indirect wholly owned subsidiary of the Company
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

For the purpose of this announcement, the exchange rate of RMB0.855 = HK\$1.00 has been used for currency translation, where applicable. Such exchange rate is for illustration purposes and does not constitute a representation that any amount in RMB or HK\$ have been, could have been or may be converted at such rate.

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

Hong Kong, 4 November 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 Mr. Gu Yao Tian, Sun Ka Ziang Henry and Li Xinzhong as independent non-executive Directors.