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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)

HOLDING ANNOUNCEMENT

The Company makes this holding announcement to inform the public and Shareholders of the current status of the Company and the investigation work conducted by the Special Investigation Committee and the Board as announced in the First Announcement and the Second Announcement.

The Special Investigation Committee and the Board (other than the Suspended Directors) have already undertaken in a reasonable and prudent manner to conduct investigation on the Suspected Conflict of Interests and the Suspected Misuse of Fund since the formation of the Special Investigation Committee in July 2011.

The Special Investigation Committee reported that up to now, no satisfactory reply with substance on the matters has been forthcoming from the Suspended Directors, and that the Suspended Directors had continuously demonstrated an uncooperative attitude in reply to the enquiries raised by the Special Investigation Committee.

The Special Investigation Committee and the Board therefore have sought legal opinion in relation to the possible actions and available remedies that could be taken by the Company against the Suspended Directors. Consideration is now given to instituting appropriate legal actions, including but not limited to the civil proceedings in Hong Kong and/or in the PRC against the Suspended Directors in respect to the Suspected Misuse of Fund. In addition, the Company is considering to pursue further legal actions against the Suspended Directors, including but not limited to the non-provision of the financial information of the PRC subsidiaries of the Company (the “**PRC Subsidiaries**”).

The Board will make further announcements to update the public and Shareholders on the development as and when appropriate. Trading in the shares of the Company shall remain suspended pending the publication of the announcement in respect to the resolution to be arrived at by the Company in due course.

* For identification purposes only

The Company makes this holding announcement to inform the public and Shareholders of the current status of the Company and the investigation work conducted by the Special Investigation Committee and the Board as announced in the First Announcement and the Second Announcement.

SPECIAL INVESTIGATION COMMITTEE

Since the date of the First Announcement on 29 July 2011, the Special Investigation Committee has conducted various searches to solicit information with respect to the Suspected Conflict of Interests and the Suspected Misuse of Fund from the Suspended Directors, including the conducting of various public searches and the sending of written enquiries to the Suspected Directors as well as the legal advisors of the Suspended Directors in the PRC and Hong Kong respectively, but of no avail. No satisfactory reply with substance has been forthcoming from the Suspended Directors.

The Special Investigation Committee was provided by the management of the Company a bank confirmation that the balance of the bank accounts of the subsidiary where the Fund was maintained was null as at 15 August 2011. In order to expedite the investigation on the Suspected Misuse of Fund, the Special Investigation Committee together with the management of the Company have held preliminary discussions with the international accounting firms in Hong Kong as to identify the scope of work and methodology for investigation, and an independent external auditors had been selected and appointed by the Special Investigation Committee with a view to inspecting the accounting records of the Group and the entities under the Suspected Conflict of Interests in Yancheng, the PRC. Despite repeated requests were made by such independent external auditors to conduct site inspection work in late October 2011, there were persistent refusals by the representatives of the Suspended Directors to facilitate and to make any records available for inspection. The Suspended Directors denied to be co-operative on matters relating to the interests of the Company, for which they appear to fail in the discharge of their duties collectively and individually towards the Board under the provisions of the Bye-laws that the Board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters necessary to give a true and fair view of the Company's affairs and to explain its transactions.

Moreover, following the commencement of investigation by the Special Investigation Committee, no financial information of the PRC Subsidiaries of the Group has been furnished by the PRC Subsidiaries, which are habitually controlled by the Suspended Directors. As a result, it has been difficult for the management of the Company to assist the Special Investigation Committee to gain access to the necessary financial information and data for the Suspected Misuse of Fund and the Suspected Conflict of Interests, and to assess the financial obligations underlying on the Company under the Listing Rules.

In light of the above, save as disclosed in the First Announcement and Second Announcement, the Special Investigation Committee has not been provided with any relevant facts or findings which are in favour of the Suspended Directors in relation to the Suspected Conflict of Interests and the Suspected Misuse of Fund due to uncooperative attitude of the Suspended Directors. No reply in substance relevant to the matters has ever been supplied by the Suspended Directors to the Special Investigation Committee except bare denial or counter request for information.

In view of the writs served against or in the name of the Company, and the legal contradiction mingled with the Board in the section headed “Legal Proceedings Against or in the name of the Company by the Suspended Directors” below, the discharge by the Special Investigation Committee of its responsibilities has been halted without any action of remedies.

LEGAL PROCEEDINGS AGAINST OR IN THE NAME OF THE COMPANY BY THE SUSPENDED DIRECTORS

During the course of work conducted by the Special Investigation Committee, a writ in Hong Kong was issued by the Suspended Directors as plaintiffs against the Company and three individual defendants who are officers of the Company, including an independent non-executive Director cum the chairman of the Special Investigation Committee and chairman of the audit committee of the Company, details of which are set out in the announcement of the Company dated 11 October 2011. The Board is of the opinion that the claims are without merit.

Separate inspection work has been carrying out by the Suspended Directors through their legal representatives and other professionals on the books and records of the Company since mid-October 2011 up to the date hereof. Nevertheless, an originating summons in Bermuda was issued by the Suspended Directors as plaintiffs against the Company, all the other Directors and the company secretary of the Company for the inspection of documents, details of which are disclosed in the announcement of the Company dated 23 November 2011. The Board is of the opinion that the claims are without merit.

On 28 November 2011, the Company was served by a legal representative on behalf of Zhong Da BVI, a written notice pursuant to section 168BD of the Companies Ordinance that derivative action shall be brought by Zhong Da BVI on behalf of the Company against all the other Directors and the company secretary of the Company. As at the date hereof, the Company has not received any further information as to the aforesaid action under section 168B of the Companies Ordinance. Further announcement shall be made by the Company as and when appropriate.

Save as disclosed above, to the best information, knowledge and belief of the Board, there is no litigation or claim of material importance known to the Board to be pending or threatened against any member of the Group.

PROPOSED RECONSTITUTION OF THE BOARD UPON THE REQUISITION BY ZHONG DA BVI

The Company has been approached by the legal representatives of the Suspended Directors in Hong Kong to retrieve all the statutory records and the documents arising in the usual course of business of Zhong Da BVI. To the best information, knowledge and belief of the Board, save for the legal proceedings initiated by the Suspended Directors against the company secretary of the Company in Hong Kong for, among others, the retrieval of all statutory records of Zhong Da BVI, there is no litigation or claim of material importance in a similar nature known to the Board to be pending or threatened against the Company. To the best information, knowledge and belief of the Company, the Company is of the opinion that the claims against the company secretary of the Company are without merit.

In late November 2011, a requisition has been deposited by Zhong Da BVI to the Board to convene a special general meeting of the Company to consider and approve, if appropriate, by the Shareholders of the businesses on the removal of all existing Directors (other than the Suspended Directors) and the appointment of new Directors respectively (as disclosed in the announcement of the Company dated 12 December 2011).

Independent legal opinion shall be sought by the Company with regard to the legality of a Shareholder's rights to reconstitute the Board by way of a special general meeting of the Company, as and when necessary. A further announcement shall be made by the Company as and when appropriate.

INSIGHT OF POSSIBLE ACTIONS

In light of the abovementioned, the Company therefore has sought legal opinion in relation to the possible actions and available remedies that could be taken by the Company against the Suspended Directors to protect the interests of the Company and the Shareholders as a whole, as well as to defend the legal actions brought by the Suspended Directors. Consideration is now given to instituting appropriate legal actions, including but not limited to the civil proceedings in Hong Kong and/or in the PRC against the Suspended Directors in respect to the Suspected Misuse of Fund. In addition, the Company is considering to pursue further legal actions against the Suspended Directors, including but not limited to the non-provision of the financial information of the PRC Subsidiaries to the Company.

The Board will make further announcements to inform the public and Shareholders on the development as and when appropriate. Trading in the shares of the Company shall remain suspended pending the publication of the announcement in respect to the resolution to be arrived at by the Company in due course.

DEFINITIONS

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

“Board”	the board of Directors
“Bye-laws”	the bye-laws of the Company
“Companies Ordinance”	the Companies Ordinance (Chapter 32 of the Laws of the Hong Kong)
“Company”	Zhongda International Holdings Limited, an exempted company incorporated in Bermuda with limited liability and whose shares are listed on the Stock Exchange
“Director(s)”	the director(s) of the Company
“First Announcement”	the announcement of the Company dated 29 July 2011 relating to the Suspected Conflict of Interests
“Fund”	the amount of approximately RMB150 million maintained at the bank account of a subsidiary of the Company, details of which are disclosed in the Second Announcement
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“PRC”	the People’s Republic of China, and for the purpose of this announcement, excludes Hong Kong, Macau Special Administrative Region and the Taiwan region
“Second Announcement”	the announcement of the Company dated 2 September 2011 regarding the Suspected Misuse of Fund and the suspension of the duties of the Suspended Directors
“Shareholder(s)”	holder(s) of shares of the Company

“Special Investigation Committee”	the special investigation committee formed by the Board to investigate on matters pertaining the Suspected Conflict of Interests and the Suspected Misuse of Fund
“Suspected Conflict of Interests”	the suspected conflict of interests between the Company and several entities under Zhongda Group (中大集團*), a PRC entity controlled by the Suspended Directors, details of which are set out in the First Announcement
“Suspected Misuse of Fund”	the suspected misappropriation of the Fund by the Suspended Directors, details of which are disclosed in the Second Announcement
“Suspended Directors”	Mr. Xu Lian Guo and Mr. Xu Lian Kuan, executive Directors
“Zhong Da BVI”	Zhong Da (BVI) Limited, a substantial shareholder of the Company and is owned by the Suspended Directors (based on the register of substantial shareholders of the Company kept pursuant to the Securities and Futures Ordinance)
“RMB”	Renminbi, the lawful currency of the PRC

By order of the Board
Zhongda International Holdings Limited
Kwok Ming Fai
Executive Director

Hong Kong, 15 December 2011

As at the date of this announcement, the Board comprises Messrs. Xu Lian Guo (suspended), Xu Lian Kuan (suspended), Kwok Ming Fai and Hon Chuk Kay as executive Directors; Mr. Leung Kwok Chun as non-executive Director; and Messrs. Sun Ka Ziang Henry, Chan Shiu Man and Wong Chi Chung as independent non-executive Directors respectively.