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**If you have sold or transferred** all your securities in **ZHONGDA INTERNATIONAL HOLDINGS LIMITED**, you should at once hand this circular to the purchaser or to the transferee or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser or to the transferee.

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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)**

**DISCLOSEABLE TRANSACTION**

**THE ESTABLISHMENT OF A CHASSIS MANUFACTURING  
JOINT VENTURE IN VIETNAM**

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## DEFINITION

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In this circular, the following expressions have the following meanings unless the context requires otherwise:

“Announcement”	the announcement of the Company dated 27 March 2007 in respect of the JV Co-operation Agreement for the proposed establishment of the JV Company
“Board”	the board of Directors
“Company”	Zhongda International Holdings Limited, a company incorporated in Bermuda with limited liability and the shares of which are listed on the Stock Exchange
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“Joint Venture Contract”	the joint venture contract to be entered into between the Parties for the establishment of the JV Company in Vietnam
“Joint Venture Co-operation Agreement”	the legally binding joint venture co-operation agreement dated 24 March 2007 entered into between ZIAI and Vinamotor in relation to the proposed establishment of the JV Company
“JV Company”	a joint venture company to be established in Vietnam pursuant to the Joint Venture Contract following the Joint Venture Co-operation Agreement
“JV Letter of Intent”	the letter of intent dated 1 November 2006 entered into between Yancheng Zhongwei Bus Manufacturing Co., Ltd. (鹽城中威客車有限公司) (a joint stock company with limited liability incorporated in the PRC) and Vinamotor in connection with the proposed establishment of a joint venture in Vietnam
“Latest Practicable Date”	13 April 2007, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Party(ies)”	ZIAI and/or Vinamotor (as the case may be)
“PRC”	the People’s Republic of China (for the purpose of this circular, excludes the Hong Kong Special Administrative Region, the Macau Special Administrative Region and Taiwan)

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## DEFINITION

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“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shareholder(s)”	the holder(s) of the shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Vinamotor”	Vietnam Motors Industry Corporation, a company established under the laws of Vietnam
“ZIAI”	Zhongda International Automobile Industrial Limited, an indirect wholly-owned subsidiary of the Company
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“USD”	United States dollar, the lawful currency of the United States of America
“%”	per cent.

*In this circular, the exchange rate of USD1.00 to HK\$7.80 is used.*



**ZHONGDA INTERNATIONAL HOLDINGS LIMITED**

**(中大國際控股有限公司\*)**

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*Executive Directors:*

Mr. Xu Lian Guo (*Chairman*)

Mr. Xu Lian Kuan (*Vice-chairman and Chief Executive Officer*)

Mr. Zhang Yuqing (*Vice-chairman*)

Mr. Kwok Ming Fai

*Registered office:*

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

*Independent Non-executive Directors:*

Mr. Gu Yao Tian

Mr. Sun Ka Ziang Henry

Mr. Li Xin Zhong

*Principal place of business  
in Hong Kong:*

Unit 702

Concordia Plaza

1 Science Museum Road

Tsim Sha Tsui East

Kowloon

Hong Kong

17 April 2007

*To the Shareholders*

Dear Sir or Madam,

**DISCLOSEABLE TRANSACTION**

**THE ESTABLISHMENT OF A CHASSIS MANUFACTURING  
JOINT VENTURE IN VIETNAM**

**1. INTRODUCTION**

Pursuant to the Announcement, the Board announced that, on 24 March 2007, ZIAI and Vinamotor entered into a Joint Venture Co-operation Agreement relating to the proposed establishment of the JV Company in Hanoi, Vietnam. Upon establishment of the JV Company, ZIAI and Vinamotor will be interested in 50% and 50% of the issued share capital of the JV Company respectively.

\* *For identification purpose only*

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## LETTER FROM THE BOARD

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The formation of the JV Company shall be subject to, among other things, the signing of the Joint Venture Contract between ZIAI and Vinamotor and the finalisation of the memorandum and articles of the JV Company. The Company shall make further announcement(s) under the Listing Rules in due course.

The Joint Venture Co-operation Agreement constitutes a discloseable transaction for the Company under the Listing Rules. The purpose of this circular is to provide you with further information relating to the Joint Venture Co-operation Agreement and the proposed establishment of the JV Company.

### **2. THE JOINT VENTURE CO-OPERATION AGREEMENT DATED 24 MARCH 2007**

The Parties have agreed to form the JV Company in accordance with the principal terms and conditions as follows:

#### **JV Parties**

ZIAI, an indirect wholly-owned subsidiary of the Company.

Vinamotor, an enterprise under the Ministry of Transport, Vietnam and is incorporated in Vietnam 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 engaged in the manufacturing and trading of vehicles, chassis and auto parts.

#### **Registered Capital**

The registered capital of the JV Company shall be approximately USD20 million (equivalent to approximately HK\$156 million) in which:

- (a) 50%, i.e. approximately USD10 million (equivalent to approximately HK\$78 million) will be contributed by ZIAI by way of internal resources of the Group and/or banking facilities and/or any other financing of the Group, as and when necessary; and
- (b) 50%, i.e. approximately USD10 million (equivalent to approximately HK\$78 million) will be contributed by Vinamotor.

The registered capital of the JV Company shall be injected in two phases of USD10 million (equivalent to approximately HK\$78 million) each.

It is expected that the results of the JV Company shall be consolidated into the accounts of the Group subject to finalisation of the terms and conditions of the Joint Venture Contract, including the board representation by ZIAI.

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## LETTER FROM THE BOARD

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### **Total Investment**

The total investment of the JV Company is expected to be approximately USD60 million (equivalent to approximately HK\$468 million). The JV Company is to raise a total amount of USD40 million (equivalent to approximately HK\$312 million) loans from independent financial institutions in accordance with its operation requirement. The Company is not committed to give any guarantees in support of the loans. Save as disclosed, there is no other capital commitment from ZIAI and Vinamotor pursuant to the Joint Venture Co-operation Agreement.

### **Scope of Business**

The JV Company shall be principally engaged in the following businesses:

- (a) manufacturing of all types of chassis frames, frame parts, auto parts and vehicles;
- (b) assembling and manufacturing of commercial vehicle bare chassis; and
- (c) import and export of vehicles and auto parts.

In relation to the proposed business operation of the JV Company, the Parties have agreed the following:

### ***Duration***

The duration of the JV Company shall be 50 years, commencing from the date of issuance of the licence of investment from the relevant government authorities in Vietnam upon the establishment of the JV Company. The JV Company shall commence production within 12 months after the issuance of such licence of investment.

### ***Targeted production capacities***

The targeted annual production capacities of the JV Company shall be as follows:

- (a) frame chassis of all types: 20,000 units
- (b) bare chassis of all types: 10,000 units
- (c) special purpose vehicles: 5,000 units

The JV Letter of Intent shall form a part of the Joint Venture Co-operation Agreement.

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## LETTER FROM THE BOARD

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### 3. ESTABLISHMENT OF THE JOINT VENTURE COMPANY

The formation of the JV Company shall be subject to, among other things, the signing of the Joint Venture Contract between ZIAI and Vinamotor and the finalisation of the memorandum and articles of the JV Company. The Company shall make further announcement(s) under the Listing Rules in due course.

Subject to the finalisation of the Joint Venture Contract, it is expected that the JV Company will become a subsidiary of the Company. Thereupon the assets and liabilities, earnings of the JV Company are expected to be consolidated into the Group's results. Despite the abovementioned capital contribution, the net asset value of the Group will remain unchanged as the decrease in current assets will be offset by the increase in non-current assets. Besides, there will not be any material impact on the earnings of the Group for the year ending 31 December 2007 as the JV company will still be under development by the end of 2007. The formation of the JV Company shall not have any material impact on the earnings, assets and liabilities of the Group.

### 4. REASON FOR THE TRANSACTIONS

Currently, 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. The Directors consider that the establishment of the JV Company will expand the Group's automobile manufacturing business beyond the PRC. The JV Company has an opportunity to play a pivotal role in the production and sales of buses and coaches chassis in Vietnam as it will be the first co-operative joint venture of similar kind. Also, it will allow the Group to exploit the relatively untapped automobile market in its neighbouring South East Asian countries. In the long term, the JV Company may become a lower cost manufacturing base for chassis and spare parts that enable the Group to sharpen its competitiveness in the industry.

The JV Company shall enhance the income streams of the Group. As such, it is expected to bring in a contribution to the business and earning potentials in the medium and long term and capture commercial opportunities in Vietnam in the area of chassis and vehicles manufacturing, automobile parts and components markets.

The Directors consider that the terms and conditions of the Joint Venture Co-operation Agreement are fair and reasonable and in the interest of the Company and the Group as a whole and so far as the Shareholders are concerned.



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## LETTER FROM THE BOARD

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### 5. GENERAL

The signing of the Joint Venture Co-operation Agreement constitutes a discloseable transaction for the Company under the Listing Rules.

Your attention is drawn to the general information set out in the appendix to this circular.

Yours faithfully  
For and on behalf of  
**Zhongda International Holdings Limited**  
**Xu Lian Guo**  
*Chairman*

## 1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with respect to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

## 2. DISCLOSURE OF INTERESTS

As at the Latest Practicable Date, no Directors or chief executive of the Company, save as disclosed below, had or was deemed to have any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are deemed or taken to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO to be entered in the register referred to therein or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, to be notified to the Company and the Stock Exchange:

### *Long position in the shares of the Company*

Name of Directors	Personal interests	Corporate interests	Total number of shares held	% of total issued share capital
Xu Lian Guo ( <i>Note 1</i> )	—	211,683,000	211,683,000	52.9%
Xu Lian Kuan ( <i>Note 1</i> )	—	211,683,000	211,683,000	52.9%
Zhang Yuqing	17,600,000	—	17,600,000	4.4%

#### *Note 1:*

The shares comprise of 204,004,000 shares and 7,679,000 shares held by Zhong Da (BVI) Limited and Thousand Riches Limited, both companies are beneficially 57.22% and 42.78% owned by Mr. Xu Lian Guo and Mr. Xu Lian Kuan respectively.

## 3. SUBSTANTIAL SHAREHOLDERS

Save as disclosed below, as at the Latest Practicable Date, according to the register of interests kept by the Company under section 336 of the SFO and so far as is known to the Directors, the following are details of the persons (other than a Director or chief executive of the Company) had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, was,

directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any other member of the Group or had any option in respect of such capital:

Name of Shareholders	Capacity	Notes	Number of shares held	% of the issued share capital
Zhong Da (BVI) Limited	Beneficial owner	1, 3	204,004,000	51.0%
Shum Yip Holdings Company Limited	Beneficial owner	2	39,576,000	9.9%
Tanrich Finance Limited	Person having a security interest in shares	3, 4	204,004,000	51.0%

*Notes:*

1. Zhong Da (BVI) Limited is beneficially 57.22% and 42.78% owned by Mr. Xu Lian Guo and Mr. Xu Lian Kuan respectively.
2. The shares are held by Gainful Outcome Holdings Limited and Outstanding Management Limited, wholly-owned subsidiaries of Shum Yip Holdings Company Limited, respectively.
3. A charge of the 204,004,000 shares has been made by Zhong Da (BVI) Limited in favour of Tanrich Finance Limited, a wholly-owned subsidiary of Tanrich Financial Holdings Limited, for a short-term financing loan.
4. By virtue of the interests in the 204,004,000 shares in relation to which Mr. Yip Man Fan has a duty of disclosure under the SFO in the issued share capital of the Company as disclosed in note 3 above, Mr. Yip is taken to have a duty of disclosure in relation to such shares under the SFO.

#### 4. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any service contract with the Company or any of its subsidiaries which is not expiring or determinable by the Group within one year without payment of compensation, other than statutory compensation.

#### 5. LITIGATION

No member of the Group was engaged in any litigation or arbitration proceedings of material importance as at the Latest Practicable Date and there was no litigation or claim of material importance known to the Directors to be pending or threatened against any member of the Group.

## 6. COMPETING INTEREST

As at the Latest Practicable Date, in so far as the Directors are aware, none of the Directors or their respective associates (as defined in the Listing Rules) had any interest in a business which competes or likely to compete with the business of the Group.

## 7. MISCELLANEOUS

- (a) The qualified accountant and company secretary of the Company is Mr. Fu Yan Ming, who is a fellow of the Association of Chartered Certified Accountants.
- (b) The principal share registrar and transfer office of the Company is The Bank of Bermuda Limited whose address is Bank of Bermuda Building, 6 Front Street, Hamilton HM 11, Bermuda.
- (c) The branch share registrar and transfer office of the Company in Hong Kong is Standard Registrars Limited whose address is 26th Floor, Tesbury Center, 28 Queen's Road East, Wanchai, Hong Kong.
- (d) The English text of this circular shall prevail over the Chinese text in case of any inconsistency.