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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **Zhongda International Holdings Limited**, you should at once hand this circular, together with the accompanying form of proxy, to the purchaser(s) or transferee(s) or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

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This circular is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for securities of the Company.

**ZHONGDA INTERNATIONAL HOLDINGS LIMITED****(中大國際控股有限公司*)***(Incorporated in Bermuda with limited liability)***(Stock Code: 00909)****GRANT OF EQUITY LINE FACILITY TO THE COMPANY
AND
NOTICE OF SPECIAL GENERAL MEETING**

A letter from the Board is set out on pages 5 to 23 of this circular and a notice convening the SGM to be held at 1609, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong on Monday, 14 February 2011 at 3:00 p.m. is set out on pages 24 to 26 of this circular. A form of proxy for use at the SGM is enclosed with this circular. Whether or not you are able to attend the SGM in person, please complete the form of proxy enclosed in accordance with the instructions printed thereon and return it to the principal place of business of the Company in Hong Kong at 1609, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong as soon as practicable and in any event no later than 48 hours before the time appointed for holding the SGM. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM should you so wish.

* *For identification purposes only*

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DEFINITIONS

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

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| “acting in concert” | has the meaning ascribed thereto under the Takeovers Code |
| “Activation Fee” | the amount of HK\$2,000,000 which is due and payable by the Company to the Purchaser on the day on which the Company serves a written notice on the Purchaser of its intended activation of the Equity Line Facility |
| “Activation Notice” | the notice of intended activation of the Equity Line Facility to be issued by the Company to the Purchaser |
| “Activation Shares” | the new Shares which may be issued by the Company in lieu of the payment of all or part of the Activation Fee |
| “Agreement” | the First Agreement and the Second Agreement |
| “associate” | has the meaning ascribed thereto under the Listing Rules |
| “Board” | the board of Directors of the Company |
| “Business Day” | any day (except any Saturday, Sunday or public holiday) on which banks in Hong Kong are open for business |
| “Commitment Period” | has the meaning set forth in the paragraph headed “Equity Line Facility” under the section headed “The Agreement” of this circular |
| “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 |
| “Company Obligations” | the obligations of the Company referred to in the paragraph headed “Long Stop Date” under the section “Equity Line Facility” of this circular |
| “connected person” | has the meaning ascribed thereto under the Listing Rules |
| “Directors” | directors of the Company |

DEFINITIONS

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| “Draw Down” | the exercise by the Company of its right to require the Purchaser to subscribe for new Shares under the Equity Line Facility |
| “Draw Down Amount” | the dollar amount payable by the Purchaser to the Company in connection with a Draw Down (before adjustment) |
| “Draw Down Conditions” | the conditions precedent to a Draw Down |
| “Draw Down Notice” | the notice from the Company to the Purchaser in respect of a Draw Down |
| “Draw Down Period” | with regard to a Draw Down Notice served by the Company, a period of 10 consecutive Trading Days commencing on the Trading Day immediately following the service of such Draw Down Notice provided that the Purchaser may, in its sole and absolute discretion, elect to reduce the number of days comprising the Draw Down Period |
| “Draw Down Share(s)” | up to 464,370,000 new Shares (based on the Maximum Investment Amount and the Minimum Issue Price) to be issued to the Purchaser by the Company under the Equity Line Facility |
| “Equity Line Facility” | the funding facility extended to the Company by the Purchaser in the form of Draw Downs for the Commitment Period, the brief description of which is set out in the section headed “Equity Line Facility” of this circular |
| “First Agreement” | the agreement dated 16 November 2010 between the Company and the Purchaser in relation to the Equity Line Facility |
| “Floor Price” | the price of HK\$0.5922 per Share, being 80% of the VWAP on 15 November 2010, being the Trading Day immediately preceding the date of the First Agreement |
| “HK\$” | Hong Kong dollar, the lawful currency of Hong Kong |

DEFINITIONS

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| “Implementation Fee” | an amount of HK\$750,000 which is due and payable by the Company to the Purchaser on the third Trading Day immediately following the day on which the Company has obtained both the approval by the Shareholders of the Special Mandate and the approval of the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Implementation Shares |
| “Implementation Shares” | the new Shares which may be issued by the Company in lieu of paying all or part of the Implementation Fee |
| “Latest Practicable Date” | 19 January 2011, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time |
| “Maximum Investment Amount” | the amount of HK\$275 million |
| “Minimum Acceptable Price” | the minimum price per Share nominated by the Company in a Draw Down Notice which may not be lower than HK\$0.6169, being 104.167% of the Floor Price and may not be higher than the VWAP on the Trading Day immediately prior to the date of the Draw Down Notice |
| “Minimum Issue Price” | HK\$0.5922 per Share, being the minimum price per Share at which the Company may issue the Draw Down Shares and which represents 96% of the lowest Minimum Acceptable Price |
| “Purchaser” | YA Global Master SPV Ltd., an exempted company incorporated in the Cayman Islands with limited liability |
| “Second Agreement” | the supplemental agreement to the First Agreement dated 12 January 2011 between the Company and the Purchaser in relation to the Equity Line Facility |
| “SGM” | the special general meeting of the Company to be held or any adjournment thereof to approve the Special Mandate |
| “Shareholder(s)” | registered holder(s) of the Shares in issue |
| “Share(s)” | share(s) of HK\$0.10 each in the share capital of the Company |

DEFINITIONS

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|-------------------|---|
| “Special Mandate” | the special mandate to allot, issue and deal with the Draw Down Shares, the Activation Shares and the Implementation Shares |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “Takeovers Code” | the Hong Kong Code on Takeovers and Mergers |
| “Trading Day” | a day on which, in the usual course, the Stock Exchange is open for the conduct of trading of securities |
| “VWAP” | in relation to a Trading Day, the volume weighted average price per Share traded on the Stock Exchange on that Trading Day, as reported by Bloomberg LP for the period commencing at 10:00 a.m. and ending at 4:00 p.m. of that Trading Day |
| “%” | per cent. |

LETTER FROM THE BOARD



ZHONGDA INTERNATIONAL HOLDINGS LIMITED

(中大國際控股有限公司*)

(Incorporated in Bermuda with limited liability)

(Stock Code: 00909)

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

Independent non-executive Directors:

Mr. Gu Yao Tian

Mr. Sun Ka Ziang Henry

Mr. Li Xinzong

Registered office:

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

Principal place of business in

Hong Kong:

1609, Office Tower

Convention Plaza

1 Harbour Road

Wanchai

Hong Kong

24 January 2011

To the Shareholders

Dear Sir or Madam,

**GRANT OF EQUITY LINE FACILITY TO THE COMPANY
AND
NOTICE OF SPECIAL GENERAL MEETING**

1. INTRODUCTION

Reference is made to the Company's announcements in relation to the Agreement dated 16 November 2010 and 12 January 2011 respectively.

2. THE AGREEMENT

The Company and the Purchaser entered into the Agreement, pursuant to which the Company has been granted the Equity Line Facility.

The Purchaser is managed by Yorkville Advisors, LLC of Jersey City, New Jersey USA ("Yorkville"). Founded in January 2001, Yorkville specializes in providing flexible and cost-effective debt and equity financing to publicly listed companies worldwide. Yorkville

* For identification purposes only

LETTER FROM THE BOARD

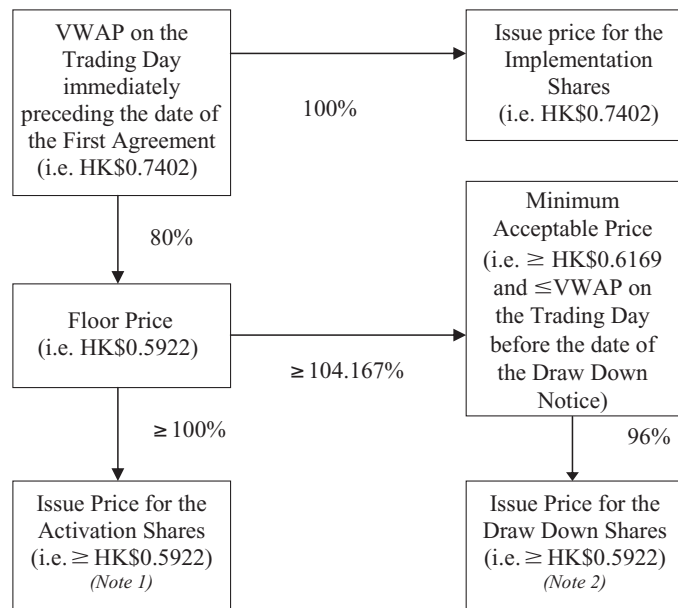
has a broad investment mandate and the flexibility to invest across many geographies as well as sectors, including natural resources, technology media and telecommunication, healthcare, industrials and shipping.

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiry, the Purchaser, its ultimate beneficial owners and Yorkville are third parties independent of the Company and are not connected persons of the Company.

Equity Line Facility

Under the Equity Line Facility, the Company may require the Purchaser to subscribe for the Draw Down Shares for up to the Maximum Investment Amount during the Commitment Period. Each Draw Down Amount will be adjusted so that the number of new Shares to be issued is an integral multiple of 2,000, being the trading board lot of the Shares.

Set out below is a diagram showing how the issue prices for the Draw Down Shares, the Implementation Shares and the Activation Shares are determined:



Notes:

1. The issue price for the Activation Shares is (a) the VWAP on the Trading Day immediately prior to the date on which the Company serves a written notice on the Purchaser of its intended activation of the Equity Line Facility, or (b) the Floor Price, if such VWAP is lower than the Floor Price.
2. The issue price for the Draw Down Shares is 96% of the higher of (i) the Minimum Acceptable Price and (ii) the lowest daily VWAP during the Draw Down Period provided that as regards any Trading Day(s) in the Draw Down Period on which the VWAP is less than the Minimum Acceptable Price or on which trading in the Shares is suspended for any period of time, the VWAP on such Trading Day(s) will be excluded from the calculation of the lowest daily VWAP during the Draw Down Period.

LETTER FROM THE BOARD

3. The issue prices for the Implementation Shares, the Activation Shares and the Draw Down Shares are different as the purposes for the issue of such Shares are different and different reference points are used for their determination. The purposes of the issue of the Implementation Shares and the Activation Shares are to settle the payment of all or part of the Implementation Fee and the Activation Fee. The Implementation Fee represents the fee charged by the Purchaser for agreeing to provide the Equity Line Facility to the Company and the issue price for the Implementation Shares was therefore set at the VWAP on the Trading Day immediately preceding the date of the First Agreement. The Activation Fee represents the fee charged by the Purchaser for the actual utilisation of the Equity Line Facility and the issue price for the Activation Shares will therefore be the VWAP on the Trading Day immediately prior to the date of the Activation Notice unless such price is lower than the Floor Price, in which case, the issue price will be equal to the Floor Price. The issue price of the Draw Down Shares will be determined by the price setting mechanism described in note 2 above with reference to the market price of the Shares at or around the time the relevant Draw Down Notice is issued.

Set out below are the principal terms of the Equity Line Facility:

Commitment Period: Commencing on the date of the First Agreement and expiring upon the earliest of: (i) the fifth anniversary of the date of the First Agreement; (ii) the date on which the Equity Line Facility has been fully utilised by the Company by making Draw Downs up to the Maximum Investment Amount; or (iii) the date on which the Agreement is terminated in accordance with its terms.

Floor Price: HK\$0.5922 per Share, being 80% of the VWAP on the Trading Day immediately preceding the date of the First Agreement (i.e. HK\$0.7402), which represents:

- (i) a discount of approximately 17.75% to the closing price per Share of HK\$0.720 as quoted on the Stock Exchange on 16 November 2010, being the date of the First Agreement;
- (ii) a discount of approximately 21.25% to the average of the closing prices of the Shares as quoted on the Stock Exchange during the 5-Trading Day period ended on 16 November 2010, being HK\$0.752 per Share;
- (iii) a discount of approximately 23.19% to the average of the closing prices of the Shares as quoted on the Stock Exchange during the 10-Trading Day period ended on 16 November 2010, being HK\$0.771 per Share; and

LETTER FROM THE BOARD

- (iv) a discount of approximately 11.61% to the closing price per Share of HK\$0.670 as quoted on the Stock Exchange on the Latest Practicable Date.

The Floor Price was determined after arm's length negotiations between the Company and the Purchaser with reference to the VWAP, which is a measure commonly adopted in the market for determining the market value of listed securities. The Floor Price was set at a discount of 20% to the VWAP on the Trading Day immediately preceding the date when the First Agreement was signed. The 20% discount falls within the range of discount rates adopted in the market in placings of listed shares as reviewed by the Company. On this basis, the Board considers the Floor Price is fair and reasonable.

*Issue Price per Draw
Down Share:*

96% of the amount which is the higher of (i) the Minimum Acceptable Price; and (ii) the lowest daily VWAP during the Draw Down Period provided that as regards any Trading Day(s) in the Draw Down Period on which the VWAP is less than the Minimum Acceptable Price or on which trading in the Shares is suspended for any period of time, the VWAP on such Trading Day(s) will be excluded from the calculation of the lowest daily VWAP during the Draw Down Period.

LETTER FROM THE BOARD

The Minimum Acceptable Price must not be lower than HK\$0.6169, being 104.167% of the Floor Price, and will not be higher than the VWAP on the Trading Day immediately prior to the date of the Draw Down Notice. No Draw Down Notice will be issued if the VWAP on the Trading Day immediately prior to the date of the Draw Down Notice is lower than HK\$0.6169. The Company could nominate the Minimum Acceptable Price and, by serving the Draw Down Notice, set the Draw Down Period for the determination of the amount in (ii) above. The Floor Price of HK\$0.5922 is the lowest price at which the Draw Down Shares may be issued. The Directors will endeavour to obtain the best possible issue prices for the Draw Down Shares by issuing the Draw Down Notice at times when the traded price for the Shares is most favourable. Coupled with the discount of 4% in the price determination mechanism for the Draw Down Shares, the minimum price at which the Draw Down Shares may be issued is approximately equal to the Floor Price. As noted above, the Floor Price represents a discount of 20% to the VWAP on the Trading Day immediately preceding the date of the First Agreement which falls within the range of discount rates adopted in the market in placings of listed shares as reviewed by the Company. On this basis, the Directors consider that the Minimum Acceptable Price and the issue price for the Draw Down Shares are fair and reasonable.

*Number of Draw Down
Shares:*

The Company may request a Draw Down at any time during the Commitment Period by delivering to the Purchaser a Draw Down Notice specifying the Draw Down Amount and the Draw Down Period. The Purchaser will not be required to purchase and the Company will not be under any obligation to issue any Draw Down Shares to the extent that the purchase or issue would require the Purchaser or parties acting in concert with it to make a takeover offer for the Company under the Takeovers Code or any other applicable law.

LETTER FROM THE BOARD

Upon the full utilisation of the Equity Line Facility at HK\$0.5922 per Share, 464,370,000 new Shares will be issued to the Purchaser pursuant to the Equity Line Facility. They represent approximately 44.13% of the existing issued share capital of the Company as at the Latest Practicable Date and approximately 30.62% of the issued share capital of the Company as enlarged by the allotment and issue of the Draw Down Shares.

The Company will apply to the Stock Exchange for the listing of, and permission to deal in, the Draw Down Shares.

Long Stop Date:

The Purchaser may, by notice in writing to the Company, terminate the Purchaser's obligations with respect to a Draw Down Notice if the Purchaser is not satisfied that each of the Company Obligations have been or will be satisfied by the fifth Trading Day immediately following the expiry of the relevant Draw Down Period. The Company Obligations include:

- (a) delivering to the Purchaser a performance certificate under which the Company will have to confirm, among others, that the representations and warranties in the Agreement are true, accurate and not misleading and it has complied with all of its obligations under the Agreement duly signed by an authorised officer of the Company dated the date of closing of the Draw Down;
- (b) delivering the Draw Down Shares;
- (c) providing evidence reasonably satisfactory to the Purchaser of the admission and delivery of the Draw Down Shares (including copies of any documents issued by the Stock Exchange evidencing the admission of the Draw Down Shares); and
- (d) the Directors having resolved to issue the Draw Down Shares.

LETTER FROM THE BOARD

Implementation Fee:

An amount of HK\$750,000, which is due and payable on the third Trading Day immediately following the day on which the Company has obtained both the approval of the Shareholders to the resolution constituting in the Special Mandate and the approval of the Listing Committee of the Stock Exchange of the listing of, and the permission to deal in, the Implementation Shares. The Company may, at its sole and absolute discretion, elect to pay the Implementation Fee to the Purchaser by way of (a) cash, or (b) an issue of new Shares, or (c) any combination of (a) and (b). In the event that the Company elects to pay all or part of the Implementation Fee by the allotment and issue of new Shares, the number of new Shares to be allotted and issued will be determined by dividing that portion of the Implementation Fee by the issue price of the Implementation Shares, which is HK\$0.7402, being the VWAP on the Trading Day immediately prior to the date of the First Agreement. The resulting number will be rounded down so that such number is a multiple of 2,000 and the balance will be settled in cash. The issue price of HK\$0.7402 represents:

- (i) a premium of approximately 2.81% to the closing price per Share of HK\$0.720 as quoted on the Stock Exchange on 16 November 2010, being the date of the First Agreement;
- (ii) a discount of approximately 1.57% to the average of the closing prices of the Shares as quoted on the Stock Exchange during the 5-Trading Day period ended on 16 November 2010, being HK\$0.752 per Share;
- (iii) a discount of approximately 3.99% to the average of the closing prices of the Shares as quoted on the Stock Exchange during the 10-Trading Day period ended on 16 November 2010, being HK\$0.771 per Share; and
- (iv) a premium of approximately 10.48% to the closing price per Share of HK\$0.670 as quoted on the Stock Exchange on the Latest Practicable Date.

LETTER FROM THE BOARD

Given that the issue price of the Implementation Shares is equal to the VWAP on the Trading Day immediately prior to the date of the First Agreement, the Directors consider that the issue price of the Implementation Shares is fair and reasonable.

Based on the full amount of the Implementation Fee (i.e. HK\$750,000) and the issue price of HK\$0.7402 per Share, a total of 1,012,000 new Shares may be allotted and issued, representing approximately 0.10% of the existing issued Shares as at the Latest Practicable Date or approximately 0.10% of the issued share capital of the Company as enlarged by such Implementation Shares.

The Implementation Fee represents 0.27% of the Maximum Investment Amount and is the fee charged by the Purchaser for agreeing to provide the Equity Line Facility to the Company. The Directors consider that the Implementation Fee is comparable to the commission rate for share placing or the management fee for debt financing of similar offer size. On this basis, the Directors consider that the Implementation Fee is fair and reasonable.

The Company will apply to the Stock Exchange for the listing of, and permission to deal in, the Implementation Shares.

LETTER FROM THE BOARD

Activation Fee:

An amount of HK\$2,000,000, which is due and payable on the date on which the Company serves a written notice on the Purchaser of its intended activation of the Equity Line Facility. The Company may, at its sole and absolute discretion, elect to pay the Activation Fee to the Purchaser either by way of (i) cash, (ii) the allotment and issue of new Shares, or (iii) any combination of (i) and (ii). In the event that the Company elects to pay all or part of the Activation Fee by way of the allotment and issue of new Shares, the number of new Shares to be allotted and issued will be determined by dividing that portion of the Activation Fee by the issue price of the Activation Shares, which is the higher of (a) the VWAP on the Trading Day immediately prior to the date on which the Company serves the Activation Notice, or (b) the Floor Price, if such VWAP is lower than the Floor Price. The resulting number will be rounded down so that such number is a multiple of 2,000 and balance will be settled in cash.

Based on the full amount of the Activation Fee (i.e. HK\$2,000,000) and the Floor Price, i.e. HK\$0.5922 per Share, a total of 3,376,000 new Shares may be allotted and issued. They represent approximately 0.32% of the existing issued Shares as at the Latest Practicable Date or approximately 0.32% of the issued share capital of the Company as enlarged by such Activation Shares.

The Activation Fee represents 0.73% of the Maximum Investment Amount and is the fee charged by the Purchaser for making available to the Company the Equity Line Facility. Given the length of the Commitment Period and the size of the Maximum Investment Amount, the Directors consider that the Activation Fee is comparable to the commitment fees that would be charged by commercial banks in lending transactions and is therefore fair and reasonable.

LETTER FROM THE BOARD

The issue price for the Activation Shares is the VWAP on the Trading Day immediately prior to the date of the Activation Notice unless such price is lower than the Floor Price, in which case, the issue price will be equal to the Floor Price. The Company may decide the issue price for the Activation Shares by serving the Activation Notice when the traded price of the Shares is high. The Company intends to issue the Activation Notice when the VWAP on the Trading Day before the Activation Notice is issued is higher than the Floor Price. In the event that the VWAP is lower than the Floor Price at or around the time when the Company intends to issue the Activation Notice, the issue price for the Activation Shares will be the Floor Price if the Company issues the Activation Notice. In both cases, the Activation Shares will not be issued at a discount to the market price of the Shares. The Floor Price of HK\$0.5922 is the lowest price at which the Activation Shares may be issued. The Directors will endeavour to obtain the best possible issue prices for the Activation Shares by issuing the Activation Notice at time when the traded price for the Shares is most favourable. On this basis, the Directors consider that the mechanism for determining the issue price for the Activation Shares is fair and reasonable.

The Company will apply to the Stock Exchange for the listing of, and permission to deal in, the Activation Shares.

Conditions precedent:

The right of the Company to issue the first Draw Down Notice is subject to satisfaction of the following conditions, among others, on or before 5:00 p.m. on 15 February 2011 or such date as may be mutually agreed between the Purchaser and the Company in writing:

- (a) the Company having paid the Implementation Fee, the Activation Fee and all and any other fees and expenses payable to the Purchaser in accordance with the Agreement;

LETTER FROM THE BOARD

- (b) the Company having obtained all necessary authorisations and shareholders' approvals for the execution, delivery and performance by it of the transactions contemplated by the Agreement, including the grant of the Special Mandate by the Shareholders at the SGM and the Listing Committee of the Stock Exchange having granted the listing of, and permission to deal in, the Draw Down Shares to be allotted and issued for the first Draw Down, the Activation Shares and the Implementation Shares; and
- (c) the Company having served a written notice on the Purchaser of the Company's intended activation of the Equity Line Facility.

The right of the Company to serve each Draw Down Notice and the obligation of the Purchaser to effect completion in respect of a Draw Down is subject to, among other things, the following further conditions:

- (i) the conditions precedent to the first Draw Down having been satisfied;
- (ii) each of the representations and warranties made by the Company in the Agreement remaining true in all material respects;
- (iii) no event or circumstances having arisen which would entitle the Purchaser to terminate the Agreement in accordance with its terms;
- (iv) the obtaining of any shareholders' approvals and authorisations necessary for the issue and delivery of the Draw Down Shares and the Listing Committee of the Stock Exchange having granted a listing of, and permission to deal in, the Draw Down Shares;
- (v) no statute, rule, regulation, order, decree, ruling or injunction having been enacted, entered, promulgated or endorsed by any government agency that prohibits or directly and adversely affects any of the transactions contemplated by the Agreement;

LETTER FROM THE BOARD

- (vi) no proceeding having been commenced that will or, to the best knowledge of the Company (having made all reasonable enquiries), may reasonably be expected to have the effect of prohibiting or adversely affecting any of the transactions contemplated by the Agreement;
- (vii) the listing or trading of the Shares not being suspended by the Stock Exchange and the Company not having received any notice threatening the continued listing and/or trading of the Shares on the Stock Exchange, and the Company not (subject to certain exceptions) having any knowledge of any event which might cause the listing and/or trading of the Shares to be suspended, withdrawn or otherwise restricted or terminated during the period from the day on which a Draw Down Notice is served and ending on the closing of the relevant Draw Down;
- (viii) during the period from the day on which a Draw Down Notice is served and ending on the closing of the relevant Draw Down, no event or series of events having occurred which may have a material adverse effect on the Group and its associated companies;
- (ix) all Draw Down Shares from prior Draw Down in respect of which the Purchaser has paid the corresponding net Draw Down Amount having been delivered to the Purchaser and remaining listed on the Stock Exchange; and

LETTER FROM THE BOARD

- (x) the Company not having allotted and issued to the Purchaser, in the period of the 10 Trading Days immediately preceding the date of service of a Draw Down Notice, a number of Shares which exceeds the lower of the numbers of Shares issuable as a result of a Draw Down of the size of (i) 250% of the average daily trading value of the Shares on the Stock Exchange for the 10 consecutive Trading Day period immediately prior to the date of service of the Draw Down Notice; and (ii) the maximum draw down amount, being (a) HK\$5,000,000 for the first Draw Down, (b) HK\$10,000,000 for the second Draw Down, and (c) HK\$20,000,000 in respect of any other Draw Down, subject to adjustment in accordance with the terms of the Agreement.

Draw Down Cancellation: In the event that the Company shall engage in any transaction with any third party which (in the Purchaser's reasonable discretion) has a similar nature and/or structure to the Company as the Equity Line Facility (each, a "**Similar Transaction**") the Purchaser will have the right (but not the obligation) by notice to the Company, to terminate the Purchaser's obligations with respect to any Draw Down requested by the Company during the period in which any Similar Transaction is subsisting unless the Company had entered into the Similar Transaction with the prior written consent of the Purchaser (which consent shall not be unreasonably withheld). For the avoidance of doubt, any placing of equity securities on a non-repeating basis or straight debt facility or non-convertible loan transaction or issue of convertible securities in consideration for any acquisition shall not be a Similar Transaction.

There is no restriction under the Agreement on the Company's ability to conduct any rights issue or open offer or to issue any consideration shares in any proposed acquisition of the Company.

LETTER FROM THE BOARD

3. CHANGES IN THE SHAREHOLDING STRUCTURE OF THE COMPANY

Changes as a result of the Equity Line Facility

Assuming that there is no other change in the shareholding structure of the Company immediately before the Draw Down in full, the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) immediately after issue of 464,370,000 new Shares to the Purchaser under the Equity Line Facility (assuming that the Maximum Investment Amount will be fully utilised and the Minimum Issue Price is the issue price); and (iii) immediately after issue to the Purchaser under the Equity Line Facility of 464,370,000 new Shares together with 1,012,000 new Shares (assuming that the full amount of the Implementation Fee will be settled by way of allotment and the Implementation Shares will be issued at HK\$0.7402 per Share) and 3,376,000 new Shares (assuming that the full amount of the Activation Fee will be settled by way of allotment and the Activation Shares will be issued at HK\$0.5922 per Share), will be as follows:

| Shareholders | As at the Latest Practicable Date | | Immediately after issue of the Draw Down Shares to the Purchaser | | Immediately after issue of the Draw Down Shares together with the Implementation Shares and the Activation Shares to the Purchaser | |
|--|-----------------------------------|----------------------|--|----------------------|--|----------------------|
| | No. of Shares | % | No. of Shares | % | No. of Shares | % |
| Zhong Da (BVI) Limited (<i>Note</i>) | 294,004,000 | 27.94 | 294,004,000 | 19.38 | 294,004,000 | 19.33 |
| the Purchaser | – | – | 464,370,000 | 30.62 | 468,758,000 | 30.82 |
| Other public Shareholders | <u>758,319,719</u> | <u>72.06</u> | <u>758,319,719</u> | <u>50.00</u> | <u>758,319,719</u> | <u>49.85</u> |
| | <u><u>1,052,323,719</u></u> | <u><u>100.00</u></u> | <u><u>1,516,693,719</u></u> | <u><u>100.00</u></u> | <u><u>1,521,081,719</u></u> | <u><u>100.00</u></u> |

Note: 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.

Possible Dilutive Effect

The Equity Line Facility is analogous to a standby credit facility to the Company. The Company will draw on it only when it has a funding need. There is a minimum issue price for the Draw Down Shares and the Activation Shares at the Floor Price, i.e. HK\$0.5922 per Share. The Company will only serve the Activation Notice and issue a Draw Down Notice when the Shares are traded at or higher than the Floor Price. As the Company may not set the Minimum Acceptable Price at an amount higher than the VWAP on the Trading Day immediately prior to the date of the Draw Down Notice, the Company expects to set the Minimum Acceptable Price at the VWAP on the date immediately prior to the date of the Draw Down Notice. Therefore, the minimum issue price for each Draw Down Share will be the Minimum Issue Price. If the lowest

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VWAP during the Draw Down Period is higher than the Minimum Acceptable Price, the Draw Down Shares will be issued at such higher price. Assuming that (i) the Maximum Investment Amount will be fully utilised and the Minimum Issue Price is the issue price resulting in the issue of 464,370,000 Draw Down Shares, and (ii) the issue of 1,012,000 Implementation Shares and 3,376,000 Activation Shares, the shareholding of the existing public Shareholders will be diluted from 72.06% to 49.85%. While the percentage interest of the existing Shareholders in the Company may be diluted by the issue of the Draw Down Shares, the value per Share would be enhanced if the Shares are issued at prices above the then prevailing market price of the Shares. Having considered the terms of the Equity Line Facility (including price-setting mechanism for the Draw Down Shares and the fact that the issue of Draw Down Notices is at the option of the Company, the Directors consider that the potential dilution effect on the shareholding of the existing Shareholders as a result of the issue of the Draw Down Shares is fair and reasonable.

Takeovers Code

The Purchaser will not be required to purchase and the Company will not issue any new Shares with respect to a Draw Down such that such issue will trigger a takeover offer for the Company under the Takeovers Code on the part of the Purchaser or parties acting in concert with it. Based on the issued share capital of the Company as at the Latest Practicable Date, the Purchaser's interest in the Company will be below 30% and will not trigger a general offer under the Takeovers Code if it holds not more than 450,888,000 Shares (the "**Takeovers Threshold**"). Assuming that the Implementation Fee will be settled by the issue of 1,012,000 new Shares and the Activation Fee will be settled by the issue of 3,376,000 new Shares, there will be a buffer of 446,500,000 new Shares under the Equity Line Facility.

Other issues of new Shares

Save for the Agreement, as at the Latest Practicable Date, the Company entered into the following agreements for an issue of up to 537,500,000 new Shares:

- (a) 206.5 million Shares to be issued at the exercise price of HK\$0.59 each (subject to adjustment) to the warrant holders (the "**July Warrant holders**") upon exercise of the rights attaching to the proposed warrants of the Company under the placing agreement dated 8 July 2010, details as disclosed in the announcement of the Company dated 8 July 2010; and
- (b) 174 million Shares to be issued at the conversion price of HK\$1.00 each to Caesar Overseas Enterprise Inc. ("**Caesar**") upon exercise of the conversion rights attaching to the proposed convertible bonds in the sum of HK\$174 million, and 157 million Shares to be issued at the price of HK\$0.85 each to Mr. Cao Qing Shing ("**Mr. Cao**"), credited as fully paid, as consideration shares under the sale and purchase agreement dated 4 November 2010 respectively, details as disclosed in the announcement of the Company dated 4 November 2010.

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For illustration purpose, set out below is the shareholding structure of the Company based on the existing shareholding as at the Latest Practicable Date and (i) immediately after the issue of 450,880,000 Shares to be held by the Purchaser under the Agreement under the Takeovers Threshold; (ii) immediately after the issue of 174,000,000 Shares to Caesar and 157,000,000 Shares to Mr. Cao; (iii) immediately after the issue of 206,500,000 Shares to the July Warrantheolders; and (iv) immediately after the issue of an aggregate 537,500,000 Shares to the July Warrantheolders, Caesar and Mr. Cao respectively (and assuming that there is no other change in the existing shareholding structure of the Company as at the Latest Practicable Date, and an aggregate of 468,758,000 Shares had been issued to the Purchaser in full under the Agreement for the scenarios (ii), (iii) and (iv) only):

| Shareholders | (i) Immediately after the issue of 450,888,000 Shares to be held by the Purchaser under the Takeovers Threshold | | (ii) Immediately after the issue of 174,000,000 Shares to Caesar and 157,000,000 Shares to Mr. Cao | | (iii) Immediately after the issue of 206,500,000 Shares to the July Warrantheolders | | (iv) Immediately after the issue of an aggregate of 537,500,000 Shares to the July Warrantheolders, Caesar and Mr. Cao respectively | |
|--|---|---------------|---|---------------|---|---------------|--|---------------|
| | No. of Shares | % | No. of Shares | % | No. of Shares | % | No. of Shares | % |
| Zhong Da (BVI) Limited ⁽¹⁾ | 294,004,000 | 19.56 | 294,004,000 | 15.87 | 294,004,000 | 17.02 | 294,004,000 | 14.28 |
| Caesar ⁽²⁾ | – | – | 174,000,000 | 9.39 | – | – | 174,000,000 | 8.45 |
| Mr. Cao | – | – | 157,000,000 | 8.48 | – | – | 157,000,000 | 7.63 |
| the July Warrantheolders | – | – | – | – | 206,500,000 | 11.95 | 206,500,000 | 10.03 |
| the Purchaser | 450,888,000 | 29.99 | 468,758,000 | 25.31 | 468,758,000 | 27.13 | 468,758,000 | 22.77 |
| Other public Shareholders | 758,319,719 | 50.45 | 758,319,719 | 40.95 | 758,319,719 | 43.90 | 758,319,719 | 36.84 |
| | <u>1,503,211,719</u> | <u>100.00</u> | <u>1,852,081,719</u> | <u>100.00</u> | <u>1,727,581,719</u> | <u>100.00</u> | <u>2,058,581,719</u> | <u>100.00</u> |

Notes:

- 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.
- Caesar is wholly owned by Mr. Xu Lian Guo.

4. REASONS FOR THE EQUITY LINE FACILITY AND USE OF PROCEEDS

The Company treats the Equity Line Facility as a standby credit facility. The facility will only be drawn if there is a funding requirement. The gross proceeds will be HK\$275 million (i.e. the Maximum Investment Amount) and the net proceeds to be raised by the Company will be approximately HK\$269 million. Assuming that the Maximum Investment Amount is fully utilised and the Minimum Issue Price is the issue price, the net price to the Company for each Draw Down Share will be approximately HK\$0.5793. The Company did not have any identified use of the proceeds from the Equity Line Facility as at the Latest Practicable Date. The Company will utilise the Equity Line Facility if (1) there is a funding requirement; and (2) the Company has exhausted its other funding sources with terms that are more favourable than those of the Equity Line Facility; and (3) the Equity Line Facility

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represents the best funding source available to the Company at the time of Draw Down, after considering factors such as cost of alternative financing and timing of the availability of the funds.

The Directors are of the view that if the Equity Line Facility is drawn, the issue of Draw Down Shares offers a good opportunity to raise equity capital for the Company. The Commitment Period has a term of 5 years. The Group will have flexibility in raising equity by requesting a Draw Down during the Commitment Period by taking advantage of the prevailing market performance of the Shares in the relevant Draw Down Period. The Company has the absolute discretion to decide whether and when to issue a Draw Down Notice. Accordingly, the Directors consider that (i) the entry into the Agreement and the transactions contemplated thereunder including, among others, the Equity Line Facility, are in the interests of the Company and the Shareholders as a whole; and (ii) the terms of the Agreement including, among others, the bases for the determination of the issue prices for the Draw Down Shares, the Implementation Shares and the Activation Shares for reasons stated above are fair and reasonable.

5. FUND-RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

Save as disclosed below, the Company has not conducted any fund-raising activities in the past twelve months immediately prior to the Latest Practicable Date.

| Date of announcement | Event | Net Proceeds (approx.) | Intended use of proceeds | Actual use of proceeds |
|----------------------|---|------------------------|---|---|
| 12 November 2009 | Top up placing of 105,000,000 Shares at HK\$0.713 per Share | HK\$71.5 million | Investment in projects in South Africa relating to public transport and as general working capital of the Group | HK\$29 million was utilised for the general working capital requirements of the Group. The remaining HK\$42.5 million has been deposited at the bank accounts of the Group which will be utilised for the development of alternative energy vehicles and the investment in projects in South Africa relating to public transport and as general working capital of the Group. |
| 4 March 2010 | Placing of 18,450,000 new Shares of HK\$0.813 per Share | HK\$14.8 million | Investment in projects in South Africa relating to public transport and as general working capital of the Group | Not yet utilised. |

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| Date of announcement | Event | Net Proceeds (approx.) | Intended use of proceeds | Actual use of proceeds |
|----------------------|---------------------|-------------------------|---|----------------------------------|
| 8 July 2010 | Placing of warrants | HK\$1.5 million | General working capital and for the future development of the Group | Warrant issue not yet completed. |
| | | <u>HK\$87.8 million</u> | | |

6. INFORMATION ON THE COMPANY

The Company was incorporated in Bermuda with limited liability. The Company is an investment holding company and its subsidiaries are principally engaged in the development, manufacture and sale of automobile equipment and buses and trading of automobile spare parts.

7. SPECIAL GENERAL MEETING

The SGM will be held at 1609, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong, on Monday, 14 February 2011 at 3:00 p.m. for the purpose of considering and, if thought fit, approving the Special Mandate. A notice convening the SGM is set out on pages 24 to 26 of this circular.

Voting in the SGM will be taken by poll in accordance with the Listing Rules.

A form of proxy for use at the SGM is enclosed with this circular. Whether or not you intend to attend and vote at the SGM in person, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return it to the principal place of business of the Company in Hong Kong at 1609, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong as soon as practicable and in any event no later than 48 hours before the time appointed for holding of the SGM. Completion of the form of proxy will not preclude you from attending and voting in person at the SGM in person should you so wish.

To the best of the Director's knowledge, information and belief having made all reasonable enquiries, no Shareholder has any material interest in the transactions contemplated under the Agreement. Accordingly, no Shareholder will be required to abstain from voting at the SGM in respect of the resolution relating to the Special Mandate.

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8. RECOMMENDATION

The Board considers that the terms of the Agreement and the transactions contemplated thereunder are fair and reasonable so far as the Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends that the Shareholders should vote in favour of the ordinary resolution to be proposed at the SGM.

Yours faithfully,
By order of the Board of
ZHONGDA INTERNATIONAL HOLDINGS LIMITED
Xu Lian Guo
Chairman

NOTICE OF SGM



ZHONGDA INTERNATIONAL HOLDINGS LIMITED

(中大國際控股有限公司*)

(Incorporated in Bermuda with limited liability)

(Stock Code: 00909)

NOTICE IS HEREBY GIVEN THAT a special general meeting of Zhongda International Holdings Limited (the “**Company**”) will be held at 1609, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong, on Monday, 14 February 2011 at 3:00 p.m. for the purpose of considering and, if thought fit, passing with or without modifications, the following resolution:

ORDINARY RESOLUTION

“THAT

- (a) the equity line facility agreement dated 16 November 2010, as amended by the supplemental agreement dated 12 January 2011, entered into between the Company as issuer and YA Global Master SPV Ltd. (the “**Purchaser**”) as purchaser (the “**ELF Agreement**”), under which the Purchaser granted the Company an option to require the Purchaser to subscribe, on the terms and subject to the conditions therein, ordinary shares in the Company with an aggregate issue price of up to HK\$275,000,000, a copy of which has been produced to the Meeting and marked “**A**” and “**B**” and initialed by the Chairman of the Meeting for the purpose of identification), the transactions contemplated thereunder and/or incidental to the ELF Agreement, and all actions taken or to be taken by the Company pursuant to it as described in the circular to the shareholders of the Company dated 24 January 2011 (the “**Circular**”, a copy of which has been produced to the Meeting and marked “**C**” and initialed by the Chairman of the Meeting for the purpose of identification) be and are hereby generally and unconditionally approved, ratified and confirmed; and
- (b) conditional upon the Listing Committee of The Stock Exchange of Hong Kong Limited granting the listing of, and permission to deal in, the Draw Down Shares, the Implementation Shares and the Activation Shares (each as defined in the Circular), the directors of the Company (the “**Directors**”) be and are hereby generally and specifically authorised to allot and issue (i) ordinary shares of HK\$0.10 each in the capital of the Company credited as fully paid with an aggregate issue price of up to HK\$275,000,000 and at issue prices to be determined in accordance with the terms and conditions of the ELF Agreement; (ii) up to 1,012,000 Implementation Shares; and (iii) up to 3,376,000 Activation Shares (the “**Special Mandate**”), in accordance with the terms and conditions of the ELF Agreement, and that the Draw Down Shares, the Implementation Shares

* For identification purposes only

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and the Activation Shares shall, when allotted and issued, rank pari passu in all respects with all other fully-paid shares of the Company in issue on the respective dates of such allotments and issues, and that the Special Mandate is in addition to, and shall not prejudice nor revoke the existing general mandate granted to the Directors by the shareholders of the Company in the annual general meeting of the Company held on 9 July 2010 or such other general or special mandate(s) which may from time to time be granted to the Directors prior to the passing of this resolution; and

- (c) any one director of the Company be and is hereby authorised for and on behalf of the Company to do all such acts and things, to sign and execute any and all agreements pursuant to and/or supplemental to the ELF Agreement and all such other documents, deeds, instruments and agreements and to take such steps as he/she may consider necessary, appropriate, desirable or expedient to give effect to or in connection with the said agreements and/or any of the transactions contemplated thereunder or incidental to any of them and all other matters incidental thereto.”

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

Hong Kong, 24 January 2011

Principal place of business:

1609, Office Tower,
Convention Plaza,
1 Harbour Road,
Wanchai,
Hong Kong

Notes:

- (1) Any member entitled to attend and vote at the meeting is entitled to appoint another person as his proxy to attend and vote in his stead. A member who is the holder of two or more shares of the Company may appoint one or more proxies to attend and vote instead of him/her. A proxy need not be a member of the Company.
- (2) A form of proxy for use at the meeting is enclosed.
- (3) The form of proxy must be signed by you or your attorney duly authorised in writing or, in the case of a corporation, must be under its seal or the hand of an officer, attorney or other person duly authorised.
- (4) The form of proxy and the power of attorney or other authority, if any, under which it is signed or a notorially certified copy thereof must be lodged at the principal place of business of the Company at 1609, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong, not later than 48 hours before the time appointed for holding the meeting or any adjourned meeting (as the case may be) and in default the proxy shall not be treated as valid. Completion and return of the form of proxy shall not preclude members from attending and voting in person at the meeting or at any adjourned meeting (as the case may be) should they so wish.

NOTICE OF SGM

- (5) Where there are joint registered holders of any share, any one of such persons may vote at any meeting, either in person or by proxy, in respect of such share as if he/she was solely entitled thereto; but if more than one of such joint holders be present at the meeting personally or by proxy, the vote of that one of the said persons so present whose name stands first on the register of members in respect of such share shall be accepted to the exclusion of the votes of the other joint holders.
- (6) As at the date hereof, the board of directors of the Company comprises Messrs. Xu Lian Guo, Xu Lian Kuan, Zhang Yuqing and Kwok Ming Fai as executive directors, and Messrs. Gu Yao Tian, Sun Ka Ziang Henry and Li Xinzhong as independent non-executive directors of the Company respectively.