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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

ENTERING INTO AN AGREEMENT FOR THE ESTABLISHMENT OF A JOINT VENTURE IN THE PRC

Financial Adviser to the Company



KCG Securities Asia Limited

A letter from the Board of Directors of the Company is set out on page 3 to 7 of this circular.

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DEFINITIONS

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

“Announcement”	The announcement of the Company dated 19 November 2004
“Auditor”	An independent professional auditor in the PRC, namely 鹽城中博華聯合會計師事務所 (Yancheng Zhongbohua Union CPA Firm), who is independent 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
“Board”	Board of Directors of the Company
“Co-operation Agreement”	A co-operation agreement dated 17 November 2004 in respect of the establishment of the JV Company entered into between Zhongda Auto Ind. and the PRC JV Partner
“Company”	Zhongda International Holdings Limited, a company incorporated in Bermuda with limited liability, whose shares are currently listed on the Stock Exchange
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“Joint Venture Agreement”	A joint venture agreement between Zhongda Auto Ind. and the PRC JV Partner dated 19 November 2004 in respect of detailed terms and conditions for the business operation of the JV Company
“JV Company”	四川中大峨嵋客車制造有限公司 (Sichuan Zhongda Emei Coach Manufacturing Limited), a sino-foreign equity joint venture company to be incorporated in the PRC pursuant to the Co-operation Agreement
“JV Parties”	Zhongda Auto Ind. and the PRC JV Partner, being the joint venture parties of the JV Company
“Latest Practicable Date”	9 December 2004, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular

DEFINITIONS

“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	The People’s Republic of China which for the purposes of this announcement excludes the Hong Kong Special Administrative Region and the Macau Special Administrative Region and Taiwan
“PRC JV Partner”	四川省客車制造有限責任公司 Sichuan Bus Manufacture Limited, a company incorporated in the PRC with limited liability
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	Ordinary share(s) of nominal value of HK\$0.10 each in the share capital of the Company
“Shareholders”	Shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Zhongda Auto Ind.”	Zhongda International Automobile Industrial Limited incorporated in the British Virgin Islands on 14 April 2003, in which the entire share capital is 100% beneficially owned by the Company
“Zhongda Machinery”	Zhongda Automobile Machinery Manufacture Company Limited, a sino-foreign equity joint venture enterprise incorporated in the PRC, in which the Company is interested in 86.7% of the total issued share capital

In this circular, all amounts in Renminbi were translated into Hong Kong dollars at an exchange rate of HK\$1.00 = RMB1.06 for indication only.

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: 909)

Directors:

Mr. Xu Lian Guo (*Chairman*)

Mr. Xu Lian Kuan

Mr. Zhang Yuqing

Independent Non-executive Director:

Mr. Gu Yao Tian

Mr. Chan Wai Dune

Mr. Li Xin Zhong

Registered Office:

Clarendon House

2 Church Street

Hamilton HM11

Bermuda

*Head Office and Principal Place
of Business in Hong Kong:*

Unit 702, 7th Floor

1 Science Museum Road

Tsim Sha Tsui East

Kowloon

Hong Kong

13 December 2004

To the Shareholders of

Zhongda International Holdings Limited

Dear Sir or Madam,

**DISCLOSEABLE TRANSACTION
ENTERING INTO AN AGREEMENT FOR THE
ESTABLISHMENT OF A JOINT VENTURE IN THE PRC**

1. INTRODUCTION

Reference is made to the Announcement under which the Board announced that the Company entered into a Co-operation Agreement on 17 November 2004 through Zhongda Auto Ind., a wholly-owned subsidiary of the Company, with the PRC JV Partner in relation to the establishment of the JV Company which will engage in the manufacturing and sales of buses in the PRC. The JV Company will be a sino-foreign equity joint venture in the Sichuan province.

Pursuant to the Co-operation Agreement, the total registered capital of the JV Company is agreed to be RMB22.45 million (equivalent to approximately HK\$21.18 million) and to be contributed as to RMB16.00 million (equivalent to approximately HK\$15.09 million) by Zhongda Auto Ind. representing 71% ownership of the JV Company and as to RMB6.45 million (equivalent to approximately HK\$6.08 million) by the PRC JV Partner representing 29% ownership of the JV Company. The JV Partner's contribution will be satisfied by injection of assets while Zhongda Auto Ind. will contribute its respective capital in the form of cash.

* For identification purpose only

LETTER FROM THE BOARD

Subsequently, on 19 November 2004 Zhongda Auto Ind. and the PRC JV Partner entered into a Joint Venture Agreement in relation to the detailed terms and conditions for the business operation of the JV Company.

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

2. THE CO-OPERATION AGREEMENT DATED 17 NOVEMBER 2004

On 17 November 2004, Zhongda Auto Ind. and the PRC JV Partner entered into a Co-operation Agreement relating to the establishment of the JV Company engaging in the manufacturing and sales of buses in the PRC. The JV Parties have agreed to establish the JV Company in accordance to the terms and conditions set out in the Co-operation Agreement as follows:-

2.1 Parties to the Co-operation Agreement

Zhongda Auto Ind., an investment holding company incorporated in the British Virgin Islands and a wholly owned subsidiary of the Company, in which the JV Company is its only investment.

四川省客車制造有限責任公司 (Sichuan Bus Manufacture Limited), a company incorporated in the PRC 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 manufacturing and sale of buses in the region of Sichuan, PRC. The PRC JV Partner will transfer all its production facilities to the JV Company immediately after the JV Company's business license is obtained and will not continue any production itself.

2.2 Registered Capital of the JV Company

The registered capital of the JV Company shall be RMB22.45 million (equivalent to approximately HK\$21.18 million) in which RMB16.00 million (equivalent to approximately HK\$15.09 million) in cash and RMB6.45 million (equivalent to approximately HK\$6.08 million) in assets will be contributed by Zhongda Auto Ind. and the PRC JV Partner respectively, which are in proportion to their respective shareholdings of 71% and 29% respectively.

The registered capital of the JV will be contributed by Zhongda Auto Ind. and the PRC JV Partner in the following manners:

- (i) RMB16.00 million (equivalent to approximately HK\$15.09 million) shall be contributed by Zhongda Auto Ind. in cash within 3 months from the date of the JV Company's business license is obtained; and
- (ii) RMB6.45 million (equivalent to approximately HK\$6.08 million) shall be contributed by the PRC JV Partner by way of assets injection being the value assessed by the Director according to market value. An Auditor, will be appointed to verify the assets after the execution of the Co-operation Agreement. As at the Latest Practicable Date, the Auditor has been appointed to verify the assets.

LETTER FROM THE BOARD

2.3 Total Investment

The total investment of the JV Company is expected to be RMB22.45 million (equivalent to approximately HK\$21.18 million). Save as disclosed, there is no other capital commitment from the Company pursuant to the Co-operation Agreement.

2.4 Scope of Business

The JV Company will be principally engaged in the manufacturing and sales of buses and other related services and business in the PRC.

2.5 Termination

The JV Parties have an understanding that the Co-operation Agreement may be terminated under the following conditions:-

- (i) Zhongda Auto Ind. fails to contribute RMB16.00 million (equivalent to approximately HK\$15.09 million) in cash within 3 months from the date of the JV Company's business license is obtained; or
- (ii) PRC JV Partner fails to contribute RMB6.45 million (equivalent to approximately HK\$6.08 million) by way of assets injection immediately after the JV Company's business license is obtained.

The default JV party is liable to compensate the other non-default JV party the sum of 5% of the registered capital of the JV Company in case of the Co-operation Agreement be terminated.

Furthermore, the establishment of the JV Company is subject to the approval by the relevant PRC authorities. The application to the relevant PRC authorities for the establishment of the JV Company and the JV Company's business license have been made since the execution of the Co-operation Agreement. It is expected that the said approval and business license will be approved and obtained within 2 months from the date of this Circular.

3. JOINT VENTURE AGREEMENT DATED 19 NOVEMBER 2004

On 19 November 2004, Zhongda Auto Ind. and the PRC JV Partner entered into a Joint Venture Agreement in relation to the detailed terms and conditions for the business operation of JV Company as follows:-

3.1 Production

The annual production of the JV Company is targeted at 1,500 buses, and it is estimated that the total annual capacity of the JV Company will be 2,500 buses. The production facilities of the JV Company including the plant and machineries shall be injected by the PRC JV Partner.

3.2 Term

20 years from the date of issue of the business license of the JV Company, such term may be renewed six months before expiry provided that the approval for renewal from relevant PRC authority is obtained.

LETTER FROM THE BOARD

3.3 Profit distribution

Profits of the JV Company will be shared among the shareholders in proportion to their respective shareholdings in the JV Company.

3.4 Board representation

The board of directors of the JV Company comprises 4 directors. Zhongda Auto Ind. is entitled to appoint 3 directors while the PRC JV Partner is entitled to appoint 1 director. The Company effectively has majority representations in the board of the JV Company.

4. REASONS FOR THE ESTABLISHMENT OF THE JV COMPANY

The Directors consider that the terms and conditions of the Co-operation Agreement and the Joint Venture Agreement are fair and reasonable and in the interest of the Company so far as the Company and its shareholders are concerned. Currently, the Group is principally engaged in development, manufacture and sale of automobile equipment and provision of industrial surface treatment engineering equipment to various industries including the automobile, aircraft engineering and military industries. The automobile equipment and the surface treatment engineering equipment are for the repairing, testing and maintenance of automobiles. The Group's main business is carried out through Zhongda Machinery a 86.7% owned subsidiary of the Company. The Group has already engaged in another joint venture in Nanjing, the counterparty of such joint venture and its ultimate beneficial owners are not connected with and independent of any directors, chief executive or substantial shareholders of the PRC JV Partner or any of its subsidiary and their respective associates pursuant to the Listing Rules and this is the second venture of similar nature.

Based on the Group's latest investment strategy to expand its related business through co-operation, since the Group's production capacity of bus manufacture in the Jiangsu Province is around 1,000 buses per annum, which is approaching 100% utilization rate, therefore, there is a need to expand further. The Directors consider that the establishment of the JV Company is complementary to the Group's current principal activities in the automobile industry in the PRC and believe that the JV Company will expand the Group's market presence in the automobile industry in the PRC as the automobile industry in the PRC as a whole is expected to expand. The establishment of the JV Company will not only give the Group a good opportunity to strengthen its position in automobile industry in the PRC, but also will contribute reasonable future income to the Group's consolidated accounts at around first quarter to second quarter of 2005.

The entering into the Co-operation Agreement and the Joint Venture Agreement will not have any immediate effects on the earnings, assets and liabilities of the Group.

5. OTHER INFORMATION

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

Yours faithfully,
By Order of the Board
Zhongda International Holdings Limited
Xu Lian Guo
Chairman

RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular with regard to the Company 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.

DISCLOSURE OF INTEREST**1. Directors' interest**

As at the Latest Practicable Date, according to the register kept by the Company pursuant to section 352 of Securities and Futures Ordinance (Cap 571 Laws of Hong Kong) ("SFO") and so far as is known to, or can be ascertained after reasonable enquiry by the Directors, the following persons had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange pursuant to Divisions 7 and 8 Part XV of the SFO (including interests in which they were deemed or taken to have under such provisions of the SFO); and pursuant to the Model Code for Securities Transactions by Directors of Listed Companies under the Listing Rules.

Name of Director/ Chief Executive	Number of ordinary shares/underlying Shares held	Percentage of issued shares capital of the Company
Mr. Xu Lian Guo (<i>Note 1</i>)	234,720,000	58.7%
Mr. Xu Lian Kuan (<i>Note 1</i>)	234,720,000	58.7%
Mr. Zhang Yuqing	17,600,000	4.4%

Note 1: These shares are held by Zhong Da (BVI) Limited ("Zhongda (BVI)"), a company incorporated in the British Virgin Islands, in which Mr. Xu Lian Guo and his younger brother, Mr. Xu Lian Kuan, beneficially own 57.22% and 42.78% of its issued share capital respectively.

2. Substantial shareholders' interest

As at the Latest Practicable Date, according to the register kept by the Company pursuant to section 336 of SFO and so far as is known to, or can be ascertained after reasonable enquiry by the Directors, and save as disclosed in the paragraph headed "Disclosure of interests" in this appendix, the following persons (other than a Director or the chief executive of the Company) had an interest or short position in the shares or 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, who is, directly or indirectly, interested in 10% or more of the voting shares of any members of the Group.

Name of Shareholders	Note	Number of ordinary shares/underlying shares held	Percentage of issued shares capital of the Company
Mr. Xu Lian Guo	2	234,720,000	58.7%
Mr. Xu Lian Kuan	2	234,720,000	58.7%
Zhong Da (BVI)	3	234,720,000	58.7%
Shum Yip (Holdings) Company Limited	4	39,576,000	9.9%

Note 2: This interest represents the number of shares held by Zhong Da (BVI). The entire issued share capital of Zhong Da (BVI) is beneficially owned as to 57.22% and 42.78% by Mr. Xu Lian Guo and Mr. Xu Lian Kuan respectively.

Note 3: This interest of Zhong Da (BVI) is duplicated with the interest of Mr. Xu Lian Guo and Mr. Xu Lian Kuan.

Note 4: This interest of Shum Yip (Holdings) Company Limited is held indirectly through Gainful Outcome Holdings Limited and Outstanding Management Limited, both of which are wholly owned subsidiaries of Shum Yip (Holdings) Company Limited.

LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened against the Company or any of its subsidiaries.

SERVICE CONTRACTS

As at the date hereof, none of the Directors has entered, or is proposing to enter, into any service contract with the Company or its subsidiaries which is not expiring or may not be terminated by the Company within a year without payment of any compensation (other than statutory compensation).

MISCELLANEOUS

- (a) The qualified accountant and secretary of the Company is Mr. Nicholas May and he is an associate member of the Hong Kong Institute of Certified Public Accountants.
- (b) The registered office of the Company is situated at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and the head office is situated at Unit 702, 7th Floor, 1 Science Museum Road, Tsim Sha Tsui East, Kowloon, Hong Kong.
- (c) The Hong Kong branch share registrar and transfer office of the Company is Standard Registrars Limited of Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong.