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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)

CONTINUING CONNECTED TRANSACTIONS

**Independent Financial Adviser to
the Independent Board Committee and the Independent Shareholders**

 **博大資本國際有限公司**
Partners Capital International Limited

A letter from the Board is set out on pages 4 to 12 of this circular. A letter from the Independent Board Committee to the Independent Shareholders is set out on pages 13 to 14 of this circular. A letter from Partners Capital, the independent financial adviser, containing its advice and recommendation to the Independent Board Committee and the Independent Shareholders is set out on pages 15 to 24 of this circular.

A notice convening the SGM to be held at Plaza IV, Novotel Century Hong Kong Hotel, 238 Jaffe Road, Wanchai, Hong Kong on Thursday, 25 October 2007 at 3:00 p.m. is set out on pages 29 to 31 of this circular. Whether or not you are able to attend the SGM, please complete and return the accompanying form of proxy in accordance with the instructions printed thereon as soon as possible and in any event not later than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof should you so wish.

* For identification purpose only

4 October 2007

CONTENT

	<i>page</i>
Definition	1
 Letter from the Board	
1. Introduction	4
2. Background	5
3. Continuing Connected Transactions	5
4. Reasons for and benefits of the Yanchang Celette Purchase Agreement and the Zhongwei Bus Sales Agreement	8
5. Listing Rules requirements	9
6. Connection between the parties	9
7. General	10
8. SGM	10
9. Procedures to demand a poll by Shareholders	11
10. Recommendation	11
 Letter from the Independent Board Committee	 13
 Letter from Partners Capital	 15
 Appendix – General Information	 25
 Notice of SGM	 29

DEFINITION

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

“Announcement”	the announcement of the Company dated 23 August 2007 in respect of, among other things, the Continuing Connected Transactions
“associates”	the term bearing the meanings ascribed to it under the Listing Rules
“Board”	the board of Directors
“Caps”	the anticipated aggregate value of the Yancheng Celette Purchase Agreement and the Zhongwei Bus Sales Agreement for the three years ending 31 December 2009
“Company”	Zhongda International Holdings Limited, an exempted company incorporated in Bermuda with limited liability and whose shares are listed on the Stock Exchange
“Continuing Connected Transactions”	the underlying transactions under the Yancheng Celette Purchase Agreement and Zhongwei Bus Sales Agreement for the three years ending 31 December 2009 respectively
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“Independent Board Committee”	independent board committee of the Company, comprising Mr. Gu Yao Tian, Mr. Sun Ka Ziang Henry and Mr. Li Xin Zhong, all existing independent non-executive Directors
“Independent Shareholders”	the Shareholders other than Mr. Xu Lian Guo, Mr. Xu Lian Kuan and Mr. Zhang Yuqing and their respective associates as defined under the Listing Rules
“Latest Practicable Date”	28 September 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

DEFINITION

“Partners Capital”	Partners Capital International Limited, a licensed corporation registered under the SFO to carry out types 1 and 6 regulated activities and the independent financial adviser to the Independent Board Committee and Independent Shareholders
“PRC”	the People’s Republic of China
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGM”	a special general meeting of the Company to be convened to consider and approve (by way of a poll) the Yancheng Celette Purchase Agreement, the Zhongwei Bus Sales Agreement and the Caps respectively
“Share(s)”	the ordinary share(s) of HK\$0.10 each in the issued share capital of the Company
“Shareholders”	holders of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Yancheng Celette”	Yancheng Celette Body Repairing Equipment Ltd. (鹽城使力得整形設備有限公司), a sino-foreign equity joint venture enterprise established under the laws of the PRC and is owned as to 49% by Zhongda Industrial Group
“Yancheng Celette Purchase Agreement”	a purchase agreement dated 23 August 2007 entered into between Zhong Da International and Yancheng Celette for the purchases of products, parts and components by Zhong Da Group from Yancheng Celette
“Zhongda Industrial Group”	Zhongda Industrial Group Corporation (中大工業集團公司), a company established under the laws of the PRC and is controlled by Mr. Xu Lian Guo and Mr. Xu Lian Kuan
“Zhong Da Group”	Zhong Da International and its subsidiaries and associated companies as a whole
“Zhong Da International”	Zhong Da International Limited, an indirect wholly-owned subsidiary of the Company

DEFINITION

“Zhongwei Bus”	Yancheng Zhongwei Bus Manufacturing Co., Ltd. (鹽城中威客車有限公司), a company established under the laws of the PRC and is owned as to 65% by Zhongda Industrial Group
“Zhongwei Bus Sales Agreement”	a sales agreement dated 23 August 2007 entered into between Zhong Da International and Zhongwei Bus for the sales of products and raw materials by Zhong Da Group to Zhongwei Bus
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong Special Administrative Region of the PRC
“%”	per cent.
“RMB”	Renminbi, the lawful currency of the PRC

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)

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 Xin Zhong

Registered office:

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

*Principal place of business
in Hong Kong:*

Unit 702
Concordia Plaza
1 Science Museum Road
Tsim Sha Tsui East
Kowloon
Hong Kong

4 October 2007

To the Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS

1. INTRODUCTION

Pursuant to the Announcement, the Board announced that, inter alia, on 23 August 2007, Zhong Da International has entered into (i) the Yancheng Celette Purchase Agreement with Yancheng Celette for a term of 3 years in regard to the purchases by Zhong Da Group from Yancheng Celette of various products, parts and components for the Group; and (ii) the Zhongwei Bus Sales Agreement with Zhongwei Bus for a term of 3 years regarding the sales by Zhong Da Group to Zhongwei Bus of products and raw materials.

The Yancheng Celette Purchase Agreement, the Zhongwei Bus Sales Agreement and the transactions contemplated thereby constituted connected transactions of the Company under the Listing Rules and are subject to the disclosure, reporting and independent shareholders' approval requirements under the Listing Rules.

* For identification purpose only

LETTER FROM THE BOARD

The Independent Board Committee comprising all the independent non-executive Directors has been formed to consider and advise the Independent Shareholders on the terms of the Yancheng Celette Purchase Agreement and the Zhongwei Bus Sales Agreement and the Caps. Partners Capital has been appointed to advise the Independent Board Committee and the Independent Shareholders.

The purpose of this circular is to provide you with, among others, (i) the details of the Yancheng Celette Purchase Agreement and the Zhongwei Bus Sales Agreement; (ii) the recommendation from the Independent Board Committee to the Shareholders on the Yancheng Celette Purchase Agreement and the Zhongwei Bus Sales Agreement; (iii) the recommendation from Partners Capital to the Independent Board Committee and the Independent Shareholders on the Yancheng Celette Purchase Agreement and the Zhongwei Bus Sales Agreement; (iv) the Caps; and (v) the notice of SGM.

2. BACKGROUND

References are made to the press announcement of the Company dated 23 June 2003 regarding, among other things, the caps for the continuing connected transactions of the Group contemplated under the sales of products and raw materials to Zhongwei Bus, and the press announcements of the Company dated 8 January 2004 and 23 July 2004 respectively regarding, among other things, the caps for the continuing connected transactions of the Group contemplated under the purchases of products, parts and components from Yancheng Celette.

Zhong Da International entered into new agreements with Yancheng Celette and Zhongwei Bus respectively for continuing the selling and/or purchasing of various raw materials and products in their normal and usual course of business as detailed below.

3. CONTINUING CONNECTED TRANSACTIONS

(a) Yancheng Celette Purchase Agreement

On 23 August 2007, Zhong Da International has entered into the Yancheng Celette Purchase Agreement with Yancheng Celette for a term of 3 years in regard to the purchases by Zhong Da Group from Yancheng Celette of various products, parts and components for the Group at the prevailing market price.

The Yancheng Celette Purchase Agreement is subject to the Independent Shareholders' approval at the SGM. In the event that approval from the Independent Shareholders cannot be obtained, the Yancheng Celette Purchase Agreement shall terminate on the date of the SGM. Further announcement will be made by the Company in this regard.

The transactions contemplated under the Yancheng Celette Purchase Agreement constituted continuing connected transactions of the Company under Rule 14A.35 of the Listing Rules. Please refer to the section headed "Caps and Basis of Determination" below.

LETTER FROM THE BOARD

(b) Zhongwei Bus Sales Agreement

On 23 August 2007, Zhong Da International has entered into the Zhongwei Bus Sales Agreement with Zhongwei Bus for a term of 3 years regarding the sales by Zhong Da Group to Zhongwei Bus of (i) products at the prevailing market price; and (ii) raw materials at a price based on the actual cost of production plus a profit margin of approximately 5 per cent respectively.

The Zhongwei Bus Sales Agreement is subject to Independent Shareholders' approval at the SGM. In the event that approval from the Independent Shareholders cannot be obtained, the Zhongwei Bus Sales Agreement shall terminate on the date of the SGM. Further announcement will be made by the Company in this regard.

The transactions contemplated under the Zhongwei Bus Sales Agreement constituted continuing connected transactions of the Company under Rule 14A.35 of the Listing Rules. Please refer to the section headed "Caps and Basis of Determination" below.

The Continuing Connected Transactions under the Yancheng Celette Purchase Agreement and the Zhongwei Bus Sales Agreement are to be satisfied on cash basis with a payment term of 30 days respectively.

Existing transactions with Yancheng Celette and Zhongwei Bus

Set out below is a summary of the amounts transacted by the Group with Yancheng Celette and Zhongwei Bus for the three financial years ended 31 December 2006, with the relevant annual caps (the "Old Annual Caps"):

	Year ended 31 December 2004 <i>RMB'000</i>	Year ended 31 December 2005 <i>RMB'000</i>	Year ended 31 December 2006 <i>RMB'000</i>
<u>Actual Amount</u>			
(1) Purchases of products, parts and components from Yancheng Celette	12,691	8,380	8,514
(2) Sales of products and raw materials to Zhongwei Bus	16,657	24	329
<u>Old Annual Caps</u>			
(1) Purchases of products, parts and components from Yancheng Celette	19,500	21,400	26,200
(2) Sales of products and raw materials to Zhongwei Bus	20,000	30,000	–

LETTER FROM THE BOARD

Caps and basis of determination

It is anticipated that the Caps shall be as follows:–

	Year ending 31 December 2007	Year ending 31 December 2008	Year ending 31 December 2009
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
(1) the Yancheng Celette Purchase Agreement	19,500	19,500	19,500
(2) the Zhongwei Bus Sales Agreement	80,000	80,000	80,000

The Caps are estimated based on various factors including but not limited to (1) the historical purchases and sales recorded by the Group respectively; (2) the anticipated increases in purchases and sales to be conducted by the Group under the Yancheng Celette Purchase Agreement and the Zhongwei Bus Sales Agreement in view of the purchases and sales orders on hand and the planned new product mix and sales programmes of Yancheng Celette and Zhongwei Bus respectively; (3) the anticipated increase in the sales of automobiles and economic growth in the PRC.

Based on the statistics of China Association of Automobile Manufacturers, the sales of automobiles in the PRC increased by 25% to over 7 million units in 2006 and by 23% to over 5 million units for the period of January to August 2007 respectively, and the total sales for 2007 is forecasted to be over 8.5 million units. The infrastructural development in the PRC as described in the section headed “Reasons for and Benefits of the Yancheng Celette Purchase Agreement and the Zhongwei Bus Sales Agreement” below will further enhance the growth of automobile maintenance and repairs business of the Group. As a result, it is expected that Zhong Da Group will have increasing purchases orders to be made under the Yancheng Celette Purchase Agreement, which have been reflected into the relevant Caps.

As advised by Zhongwei Bus, Zhongwei Bus recorded the sales for 2006 of approximately RMB396.2 million based on its unaudited management accounts for the year ended 31 December 2006. In consideration of the existing sales orders of Zhongwei Bus and the potential growth in its local and exports sales, it is expected that Zhong Da Group will have substantially increasing sales orders for Zhongwei Bus, which has been reflected into the relevant Caps.

If the Yancheng Celette Purchase Agreement and the Zhongwei Bus Sales Agreement for such year exceeds the Caps, the Company is obliged to re-comply with Rules 14A.35(3) and (4) in accordance with Rule 14A.36 of the Listing Rules.

LETTER FROM THE BOARD

4. REASONS FOR AND BENEFITS OF THE YANCHENG CELETTE PURCHASE AGREEMENT AND THE ZHONGWEI BUS SALES AGREEMENT

According to the public research statistics, the PRC is the second largest commercial vehicle market in the world. For the selected segments such as heavy trucks and large buses, the PRC is the largest market. Sales of commercial vehicles in the PRC started to recover in the first half of 2006, with all trucks and buses rebounding by around 8% as compared to the same period in 2005. The PRC commercial vehicle exports also jumped to approximately 120,000 commercial vehicles by more than tenfold during the period from 2001 to 2005.

With market sentiment turning positive again, the beginning of the 11th five-year plan for the period from 2006 to 2010 will lead to a new wave of fixed asset investment, especially among local governments, and the prosperous further substantial infrastructure development including the 31,000 kilometres of new highways and improved linkages between coastal cities. The market of large buses shall be one of the key beneficiaries of the fast-growing infrastructure developments in the PRC. It is expected that demand for luxurious and high-quality coaches is expected to continue to grow. Moreover, the lucrative commercial vehicle exports remains strong and hence are optimistically to mark for a further growth in exports annual turnover.

It is expected that the Yancheng Celette Purchase Agreement and the Zhongwei Bus Sales Agreement and the transactions contemplated thereby shall be stemmed from the anticipated demand for the automobile products of the Group, the automobile equipment and buses, as a result of the infrastructural development in the PRC and the exploration of further exports market, coupled with the launch of new product mix and sales programmes of Yancheng Celette and Zhongwei Bus respectively.

The Directors consider that the entering into the Yancheng Celette Purchase Agreement and the Zhongwei Bus Sales Agreement will enable the Zhong Da Group to continue its business relations with each of Yancheng Celette and Zhongwei Bus by the provision of a wider range of automobile parts, components, equipments, products and raw materials arising in their normal and usual course of business. The Directors are of the view that the increase in the purchases of products, parts and components from Yancheng Celette for the businesses of the Group, in particular the automobile maintenance and repairs business unit of the Group, are a result of the growing automobile industry in the PRC as aforementioned. The infrastructure development in the PRC leads to a surge in the number of buses and coaches, and hence benefiting the Group in the areas of automobile maintenance and repairs businesses. As a result, the Yancheng Celette Purchase Agreement provides a sourcing supply to the Group in bulk which will be transacted under the Caps during the term thereof for the growing automobile maintenance and repairs business of the Group. By virtue of the underlying benefits of the Yancheng Celette Purchase Agreement, and the sales revenue coming from the Zhongwei Bus Sales Agreement thereby the Group shall have a broaden stream of revenue source, both the Yancheng Celette Purchase Agreement and the Zhongwei Bus Sales Agreement are of the commercial benefits to the Company and the Group as a whole. The Directors are of the view that there is no disadvantage to the Company and the Group as a whole in entering into the Continuing Connected Transactions.

LETTER FROM THE BOARD

The Directors having taken into consideration that the Group shall enter into the Yancheng Celette Purchase Agreement and the Zhongwei Bus Sales Agreement respectively on normal commercial terms in the ordinary and usual course of business and are of the view that the Yancheng Celette Purchase Agreement and the Zhongwei Bus Sales Agreement shall be conducted (i) on an arm's length basis; and (ii) on normal commercial terms or on terms that are fair and reasonable so far as the Independent Shareholders are concerned, as the case may be. The Directors are of the opinion that (a) the Yancheng Celette Purchase Agreement; (b) the Zhongwei Bus Sales Agreement; and (c) the Caps respectively are on normal commercial terms, fair and reasonable, in the best interests of the Company and the Shareholders as a whole and shall be entered into during the ordinary and usual course of business of the Group.

5. LISTING RULES REQUIREMENTS

- (a) The Yancheng Celette Purchase Agreement and the transactions contemplated thereby constituted connected transactions of the Company under the Listing Rules. As the relevant percentage ratio in respect thereof is more than 2.5% and the total annual consideration exceeds HK\$10,000,000 respectively, the Yancheng Celette Purchase Agreement constituted non-exempt continuing connected transactions for the Company under Rule 14A.35 of the Listing Rules and shall be subject to the disclosure, reporting and independent shareholders' approval requirements under the Listing Rules.
- (b) The Zhongwei Bus Sales Agreement and the transactions contemplated thereby constituted connected transactions of the Company under the Listing Rules. As the relevant percentage ratio in respect thereof is more than 2.5% and the total annual consideration exceeds HK\$10,000,000 respectively, the Zhongwei Bus Sales Agreement constituted non-exempt continuing connected transactions for the Company under Rule 14A.35 of the Listing Rules and shall be subject to the disclosure, reporting and independent shareholders' approval requirements under the Listing Rules.

The Company will seek the approval of the Independent Shareholders at the SGM for (i) the Yancheng Celette Purchase Agreement, (ii) the Zhongwei Bus Sales Agreement, and (iii) the Caps.

6. CONNECTION BETWEEN THE PARTIES

Yancheng Celette is owned as to 49% by Zhongda Industrial Group. Zhongda Industrial Group is controlled by both Mr. Xu Lian Guo and Mr. Xu Lian Kuan, Directors and substantial shareholders of the Company. As such, Yancheng Celette is a connected person of the Company as defined under the Listing Rules.

Zhongwei Bus is owned as to 65% by Zhongda Industrial Group. Based on the foregoing, Zhongwei Bus is also a connected person of the Company as defined under the Listing Rules.

LETTER FROM THE BOARD

7. GENERAL

The Group is principally engaged in design, manufacture and sale of automobile manufacture, repair and maintenance equipment and provision of industrial surface treatment engineering equipment. The Group has been diversifying into the manufacturing of commercial vehicles.

Zhongda Industrial Group focuses its operation in the manufacture and sale of automobiles and providing steel structure design.

Yancheng Celette is principally engaged in the production of motor vehicles repair machineries.

Zhongwei Bus is principally engaged in the manufacture and sale of motor vehicles and automobile spare parts, trading of metals and the provision of maintenance services for motor vehicles.

8. SGM

The SGM will be held at Plaza IV, Novotel Century Hong Kong Hotel, 238 Jaffe Road, Wanchai, Hong Kong on Thursday, 25 October 2007 at 3:00 p.m. to approve the Yancheng Celette Purchase Agreement, the Zhongwei Bus Sales Agreement and the Caps. The voting will be taken by way of poll in accordance with the Listing Rules and the poll results will be published after the SGM.

As Mr. Xu Lian Guo, Mr. Xu Lian Kuan and Mr. Zhang Yuqing, Directors, are also directors of Zhongda Industrial Group, each of Mr. Xu Lian Guo, Mr. Xu Lian Kuan and Mr. Zhang Yuqing is required to abstain from voting in respect of the Yancheng Celette Purchase Agreement and the Zhongwei Bus Sales Agreement. As at the Latest Practicable Date, both Mr. Xu Lian Guo and Mr. Xu Lian Kuan are commonly interested in 204,004,000 Shares, representing approximately 39.4% of the issued share capital of the Company, and Mr. Zhang Yuqing is interested in 17,600,000 Shares, representing approximately 3.4% of the issued share capital of the Company respectively. Mr. Xu Lian Guo, Mr. Xu Lian Kuan, Mr. Zhang Yuqing shall abstain from voting in respect of their shareholding at the SGM.

The Independent Board Committee comprising all the independent non-executive Directors has been formed to consider and advise the Independent Shareholders on the terms of the Yancheng Celette Purchase Agreement and the Zhongwei Bus Sales Agreement and the Caps. Partners Capital has been appointed to advise the Independent Board Committee and the Independent Shareholders.

A form of proxy is enclosed for use at the SGM. If you are unable to attend and vote at the SGM in person, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Company's principal place of business in Hong Kong at Unit 702, Concordia Plaza, 1 Science Museum Road, Tsim Sha Tsui East, Kowloon, Hong Kong as soon as possible, but in any event not less

LETTER FROM THE BOARD

than 48 hours before the time appointed for holding such meeting or any adjourned meeting. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjourned meeting should you so wish.

9. PROCEDURES TO DEMAND A POLL BY SHAREHOLDERS

Pursuant to Bye-law 66 of the bye-laws of the Company, a resolution put to the vote of a meeting shall be decided on a show of hands unless (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is demanded:

- (i) by the chairman of such meeting; or
- (ii) by at least three Shareholders present in person (or, in the case of a Shareholder being a corporation, by its duly authorised representative) or by proxy for the time being entitled to vote at the meeting; or
- (iii) by a Shareholder or Shareholders present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and representing not less than one-tenth of the total voting rights of all the Shareholders having the right to vote at the meeting; or
- (iv) by a Shareholder or Shareholders present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and holding Shares in the Company conferring a right to vote at the meeting being Shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all Shares conferring that right.

10. RECOMMENDATION

Your attention is drawn to (i) the letter from the Independent Board Committee set out on pages 13 to 14 of this circular which contains the recommendation of the Independent Board Committee to the Independent Shareholders concerning the Yancheng Celette Purchase Agreement and the Zhongwei Bus Sales Agreement and the Caps; (ii) the letter from Partners Capital set out on pages 15 to 24 of this circular which contains its recommendation to the Independent Board Committee and the Independent Shareholders on the Yancheng Celette Purchase Agreement and the Zhongwei Bus Sales Agreement and the Caps and the principal factors and reasons considered by Partners Capital in arriving at its recommendation.

Having considered the above principal factors and reasons, the Board is of the opinion that the terms of the Yancheng Celette Purchase Agreement and the Zhongwei Bus Sales Agreement and the Caps are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, the Board recommends the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the SGM to approve the Yancheng Celette Purchase Agreement, the Zhongwei Bus Sales Agreement and the Caps.

LETTER FROM THE BOARD

Your attention is drawn to the Appendix of this circular setting out the general information of the Company.

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

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



ZHONGDA INTERNATIONAL HOLDINGS LIMITED

(中大國際控股有限公司*)

(Incorporated in Bermuda with limited liability)

(Stock Code: 909)

Unit 702
Concordia Plaza
1 Science Museum Road
Tsim Sha Tsui East
Kowloon
Hong Kong

4 October 2007

To the Independent Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS

We refer to the circular dated 4 October 2007 (the “**Circular**”) issued by the Company of which this letter forms part. Terms used herein shall have the same meanings as defined in the Circular unless the context otherwise requires.

We have been appointed by the Board to be the members of the Independent Board Committee for the purpose of considering the terms of the Yancheng Celette Purchase Agreement and the Zhongwei Bus Sales Agreement and the transactions contemplated therein and the Caps, details of which are set out in the text of the letter from the Board as set out on pages 4 to 12 of the Circular.

We wish to draw your attention to the letter from Partners Capital (as set out on pages 15 to 24 of the Circular) which contains, inter alia, its advice to us as regards the terms of the Yancheng Celette Purchase Agreement and the Zhongwei Bus Sales Agreement and the transactions contemplated therein and the Caps together with the principal factors and reasons for its advice.

Having taken into account the advice of Partners Capital, we consider that the Yancheng Celette Purchase Agreement and the Zhongwei Bus Sales Agreement and the transactions contemplated therein and the Caps are in the interests of the Company and the Shareholders as a whole and that the terms of the Yancheng Celette Purchase Agreement and the Zhongwei Bus Sales Agreement and the transactions contemplated therein and the Caps, as a whole, are fair and reasonable so far as the Independent Shareholders are concerned.

* For identification purpose only

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolutions approving the Yancheng Celette Purchase Agreement and the Zhongwei Bus Sales Agreement and the transactions contemplated therein and the Caps at the SGM.

Yours faithfully,

the Independent Board Committee

Mr. Gu Yao Tian
*Independent non-executive
Director*

Mr. Sun Ka Ziang Henry
*Independent non-executive
Director*

Mr. Li Xin Zhong
*Independent non-executive
Director*

LETTER FROM PARTNERS CAPITAL

The following is the text of a letter received from Partners Capital setting out its opinion to the Independent Board Committee and the Independent Shareholders in respect of the Continuing Connected Transactions for inclusion in this circular.

 博大資本國際有限公司
Partners Capital International Limited

Partners Capital International Limited
Unit 3906, 39/F, COSCO Tower
183 Queen's Road Central
Hong Kong

4 October 2007

*To the Independent Board Committee and
the Independent Shareholders*

Dear Sirs,

CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our engagement to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the Continuing Connected Transactions, particulars of which are set out in the letter from the Board (the “**Letter from the Board**”) of this circular to the Shareholders dated 4 October 2007 (the “**Circular**”) and in which this letter is reproduced. Unless the context requires otherwise, capitalised terms used in this letter shall have the same meanings as given to them under the definitions section of the Circular.

As set out in the Letter from the Board, on 23 August 2007, Zhong Da International has entered into (1) the Yancheng Celette Purchase Agreement with Yancheng Celette with regard to the purchases by Zhong Da Group from Yancheng Celette of products, parts and components for the Group; and (2) the Zhongwei Bus Sales Agreement with Zhongwei Bus regarding the sales by Zhong Da Group to Zhongwei Bus of products and of raw materials. Yancheng Celette is owned as to 49% by Zhongda Industrial Group. Zhongda Industrial Group is controlled by both Mr. Xu Lian Guo and Mr. Xu Lian Kuan, Directors and substantial shareholders of the Company. As such, Yancheng Celette is a connected person of the Company as defined under the Listing Rules. Zhongwei Bus is owned as to 65% by Zhongda Industrial Group. Based on the foregoing, Zhongwei Bus is also a connected person of the Company as defined under the Listing Rules. Thus, each of the Yancheng Celette Purchase Agreement and the Zhongwei Bus Sales Agreement and the transactions contemplated thereby constitute connected transactions of the Company under the Listing Rules. As the relevant percentage ratio in respect thereof is more than 2.5% and the total annual consideration exceeds HK\$10,000,000 respectively, the Yancheng Celette Purchase Agreement and the Zhongwei Bus Sales Agreement constitute non-exempt continuing connected transactions for the Company under the Listing Rules and shall be subject to the Independent Shareholders' approval at the SGM. Accordingly, the Independent Board Committee has been established to advise whether the respective terms and conditions of the Continuing Connected Transactions are fair and reasonable and whether the Continuing

LETTER FROM PARTNERS CAPITAL

Connected Transactions are in the interests of the Company and the Shareholders as a whole. In this regard, Partners Capital has been appointed as the independent financial adviser to the Independent Board Committee and the Independent Shareholders.

We are not connected with the directors, chief executive and substantial shareholders of the Company or any of its subsidiaries or their respective associates and are therefore considered suitable to give independent advice to the Independent Board Committee and the Independent Shareholders. Apart from normal professional fees payable to us in connection with this appointment, no arrangement exists whereby we will receive any fees or benefits from the Company or the directors, chief executive and substantial shareholders of the Company or any of its subsidiaries or their respective associates.

In formulating our opinion, we have relied on the accuracy of the information and representations contained in the Circular and have assumed that all information and representations made or referred to in the Circular were true at the time they were made and continue to be true as at the date of the Circular. We have also relied on our discussion with the management of the Company regarding the Group and the respective terms and conditions of the Continuing Connected Transactions, including the information and representations contained in the Circular. We have also assumed that all statements of belief, opinion and intention made by the Directors and the Company in the Circular were reasonably made after due enquiry. We consider that we have reviewed sufficient information to reach an informed view, to justify our reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our advice. We have no reason to suspect that any material facts have been omitted or withheld from the information contained or opinions expressed in the Circular nor to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors. We have not, however, conducted an independent in-depth investigation into the business and affairs of the Group, the Company, Yancheng Celette, Zhongwei Bus and their respective associates nor have we carried out any independent verification of the information supplied.

THE CONTINUING CONNECTED TRANSACTIONS

Principal factors and reasons considered

In arriving at our opinion regarding the terms of the Continuing Connected Transactions, we have considered the following principal factors and reasons:

1. Background of and reasons for the Continuing Connected Transactions

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. Yancheng Celette is principally engaged in the production of motor vehicles repair machineries. Zhongwei Bus is principally engaged in the manufacture and sale of motor vehicles and automobile spare parts, trading of metals and the provision of maintenance services for motor vehicles.

LETTER FROM PARTNERS CAPITAL

On 23 August 2007, Zhong Da International has entered into the Yancheng Celette Purchase Agreement with Yancheng Celette for a term of 3 years with regard to the purchases by Zhong Da Group from Yancheng Celette of various products, parts and components, for the Group at the prevailing market price. On the same date, Zhong Da International has entered into the Zhongwei Bus Sales Agreement with Zhongwei Bus for a term of 3 years regarding the sales by Zhong Da Group to Zhongwei Bus of (i) products at the prevailing market price; and (ii) raw materials at a price based on the actual cost of production plus a profit margin of approximately 5 per cent respectively.

As disclosed in the announcements of the Company dated 8 January 2004 and 23 July 2004, and the circular of the Company dated 16 August 2004 (the “**Expired Cap Circular**”) in respect to the purchase agreement in respect thereof, Zhong Da International, through its subsidiaries, had been purchasing various products, parts and components, including but not limited to the wheel alignor products, from Yancheng Celette for its automobile maintenance equipment business in the past and will continue such transactions with Yancheng Celette in its normal and usual course of business in future. As advised by the Company, the Group has proposed to establish an indirect wholly owned subsidiary in the PRC (the “**Proposed Sourcing Company**”) for centralising the sourcing functions of the Group in order to enjoy a greater bulk purchase discount, subject to the disclosure requirements under the Listing Rules if necessary. Under this mode of operation, it is expected that the Group and Zhongwei Bus will be benefited as the Group would conduct purchases via the Proposed Sourcing Company in future upon receiving purchasing orders from Zhongwei Bus.

According to the research report published by KPMG in 2006, the PRC is the second largest commercial vehicle market in the world. For the selected segments such as heavy trucks and large buses, the PRC is the largest market. Sales of commercial vehicles in the PRC started to recover in the first half of 2006, with all trucks and buses rebounding by around 8% as compared to the same period in 2005. The PRC commercial vehicle exports also jumped to approximately 120,000 commercial vehicles by more than tenfold during the period from 2001 to 2005. Based on the statistics of China Association of Automobile Manufacturers, the sales of automobiles in the PRC increased by 25% to over 7 million units in 2006 and by 23% to over 5 million units for the period of January to August 2007 respectively, and the total sales for 2007 is forecasted to be over 8.5 million units.

With market sentiment turning positive again, the beginning of the 11th five-year plan for the period from 2006 to 2010 will lead to a new wave of fixed asset investment, especially among local governments, and the prosperous further substantial infrastructure development including the 31,000 kilometres of new highways and improved linkages between coastal cities. The market of large buses shall be one of the key beneficiaries of the fast-growing infrastructure developments in the PRC. As set out in the Letter from the Board, it is expected by the Directors that demand for luxurious and high-quality coaches is expected to continue to grow and the lucrative commercial vehicle exports remains strong and hence are optimistically to mark for a further growth in exports annual turnover. In addition, the Directors consider that the entering into the Yancheng Celette Purchase Agreement and the Zhongwei Bus Sales Agreement will enable the Zhong Da Group to continue its business relations with each

LETTER FROM PARTNERS CAPITAL

of Yancheng Celette and Zhongwei Bus by the provision of a wider range of automobile parts, components, equipments, products and raw materials arising in their normal and usual course of business. The Directors are of the view that the increase in the purchases of products, parts and components from Yancheng Celette for the businesses of the Group, in particular the automobile maintenance and repairs business unit of the Group, are a result of the growing automobile industry in the PRC as aforementioned. The infrastructure development in the PRC leads to a surge in the number of buses and coaches, and hence benefiting the Group in the areas of automobile maintenance and repairs businesses. As a result, the Yancheng Celette Purchase Agreement provides a sourcing supply to the Group in bulk which will be transacted under the Caps during the term thereof for the growing automobile maintenance and repairs business of the Group.

Against all the background as stated above, we consider that there is a commercial rationale for the Company to enter into the Yancheng Celette Purchase Agreement and Zhongwei Bus Sales Agreement with the relevant connected parties relating to the Continuing Connected Transactions.

2. Proposed maximum caps for the Continuing Connected Transactions and terms of the Continuing Connected Transactions

The caps (“**Cap(s)**”) for the Continuing Connected Transactions under the respective framework agreements for the three years ending 31 December 2009 are set out as follows:

Nature of transaction	Historical amounts			Annual Cap		
	<i>Actual amounts in RMB'000 for the financial years ended 31 December</i>			<i>Estimated amounts in RMB'000 for the financial years ending 31 December</i>		
	2004	2005	2006	2007	2008	2009
(a) Transactions contemplated under the Yancheng Celette Purchase Agreement	12,961	8,380	8,514	19,500	19,500	19,500
(b) Transactions contemplated under the Zhongwei Bus Sales Agreement	16,657	24	329	80,000	80,000	80,000

LETTER FROM PARTNERS CAPITAL

- *Yancheng Celette Purchase Agreement*

Pursuant to the Yancheng Celette Purchase Agreement, the purchases by Zhong Da Group from Yancheng Celette of various products, parts and components, for the Group will be made at the prevailing market price.

The Board has taken into account the following factors to determine the relevant Caps:

- the historical purchases recorded by the Group;
- the anticipated increase in purchases to be conducted by the Group under the Continuing Connected Transactions in view of the purchases orders on hand and the planned new product mix and sales programmes of Yancheng Celette; and
- the anticipated increase in the sales of automobiles and economic growth in the PRC.

As advised by the Company, the Company has not purchased similar products, parts and components produced by Yancheng Celette from independent suppliers in the past as these products, parts and components have been tailor-made by Yancheng Celette to the Group whilst Yancheng Celette has not sold its products (including parts and components) to independent customers. We have reviewed certain relevant invoices in relation to the purchase of products, parts and components by the Group from Yancheng Celette which have been confirmed as representative samples according to the Directors and we note that the pricing of the relevant products, parts and components have been relatively stable during the three years ended 31 December 2006 and the six months ended 30 June 2007 respectively. In addition, as set out in the respective notes to the financial statement of the annual reports of the Company for the three years ended 31 December 2006, we note that the purchases from Yancheng Celette were at the then prevailing market price. The purchases of products, parts and components by the Group from Yancheng Celette for the three years ended 31 December 2006 were conducted in the normal course of business of the Group under the purchase agreement as mentioned in the Expired Cap Circular and the pricing of the purchases were stipulated in accordance with the said purchase agreement. The Group followed the same pricing level for the purchases of products, parts and components from Yancheng Celette during the six months ended 30 June 2007 during its normal and usual course of business. Although Yancheng Celette has not sold its products (including parts and components) to independent customers directly, we were advised by the Company that the Group has been on-selling those products purchased from Yancheng Celette to independent customers, which represented and will represent the majority of the purchase from Yancheng Celette. Upon reviewing the relevant invoices in relation to the sales of products by the Group to independent customers in respect of products purchased from Yancheng Celette, we note that the Group has been charging its customers at a margin above its cost. Besides, upon reviewing certain quotations from

LETTER FROM PARTNERS CAPITAL

independent suppliers obtained by the Company, we note that the Group can obtain similar products to those purchased from Yancheng Celette from independent suppliers at comparable price ranges. In addition, pursuant to the Yancheng Celette Purchase Agreement, we note that the credit terms granted by Yancheng Celette to the Company would be 30 days which is in line with common market practice. On the above basis, we consider that the purchases from Yancheng Celette were and are in a position to be carried out on normal commercial terms.

Further, we note that the Group has taken a prudent approach to assume that there will be no growth in the monetary amount of the transactions between the Company and Yancheng Celette under the Yancheng Celette Purchase Agreement for the three years ending 31 December 2009 and we consider that this approach is reasonable as the automobile industry is cyclical and the Company will comply with the relevant requirements of the Listing Rules should the Caps be exceeded. Although the transactions contemplated under the Yancheng Celette Purchase Agreement have not been commenced where no actual price comparison can be made, based on historical pattern of similar transactions carried out in the past and the terms of price determination pursuant to the Yancheng Celette Purchase Agreement, we have reasonable ground to believe that the transactions contemplated under the Yancheng Celette Purchase Agreement will be carried out on normal commercial terms.

However, we note that the actual transacted purchase from Yancheng Celette amounted to approximately RMB12.961 million, RMB8.380 million and RMB8.514 million respectively for each of the three years ended 31 December 2006, which were lower than the proposed Cap of RMB19.5 million for each of the three years ending 31 December 2009. Upon enquiry, we have managed to obtain from the Company a list of estimated purchase quantity underlying and driven by the projected sales of end-products of automobiles summing up to the proposed Caps for the three years ending 31 December 2009 respectively. Upon review, we have obtained confirmation from the Directors that a majority portion of the Group's sales quantity of end-products deriving the corresponding purchase components under the list already represents the Group's confirmed orders from, or indicative orders on hand as projected from, the Group's major customers for the three years ending 31 December 2009, with a minority portion of the sales quantity of end-products deriving the corresponding purchase components under the list representing only a buffering allowance for the purpose of arriving at the proposed Cap.

On the above basis, we are of the view that the bases on which the annual Caps were determined are fair and reasonable.

LETTER FROM PARTNERS CAPITAL

- *Zhongwei Bus Sales Agreement*

Pursuant to the Zhongwei Bus Sales Agreement, the sales of products and raw materials by Zhong Da Group to Zhongwei Bus will be made at the prevailing market price and a price based on the actual cost of production plus a profit margin of approximately 5 per cent respectively.

The Board has taken into account the following factors to determine the relevant Caps:

- the historical sales recorded by the Group;
- the anticipated increase in sales to be conducted by the Group under the Continuing Connected Transactions in view of the sales orders on hand and the planned new product mix and sales programmes of Zhongwei Bus; and
- the anticipated increase in the sales of automobiles and economic growth in the PRC.

As set out in the Letter from the Board, Zhongwei Bus recorded the sales for 2006 of approximately RMB396.2 million based on its unaudited management accounts for the year ended 31 December 2006. In consideration of the existing sales orders of Zhongwei Bus and the potential growth in its local and exports sales, it is expected that Zhong Da Group will obtain substantially increasing sales orders from Zhongwei Bus, which has been reflected into the relevant Caps.

As advised by the Company, the Group has proposed to carry out the centralised sourcing function of the Group via the Proposed Sourcing Company in order to enjoy a greater bulk purchase discount in future. Under this mode of operation, the Group and Zhongwei Bus will be benefited as the Group would conduct purchases via the Proposed Sourcing Company in future upon receiving purchasing orders from Zhongwei Bus. In particular, as advised by the Company, it is expected that the generic raw materials required by Zhongwei Bus, such as steel and paints, will be purchased via the Proposed Sourcing Company. Based on the unaudited management accounts of Zhongwei Bus for the year ended 31 December 2006, the said generic raw materials are estimated to represent approximately 25% of the total cost of sales of Zhongwei Bus (whereas the total cost of sales is estimated to be accounted for approximately 75% of the total turnover of Zhongwei Bus). Based on the turnover of Zhongwei Bus for the year ended 31 December 2006 of approximately RMB396.2 million per its unaudited management accounts for the year ended 31 December 2006, the estimated amount of purchase via the Proposed Sourcing Company would amount to approximately RMB74.3 million per year assuming that the Proposed Sourcing Company existed since 1 January 2006 and Zhongwei Bus had conducted purchase via the Proposed Sourcing Company.

LETTER FROM PARTNERS CAPITAL

In addition, as set out in the Letter from the Board, we note that the actual transacted sales to Zhongwei Bus amounted to approximately RMB16.7 million, RMB24,000 and RMB329,000 respectively for each of the three years ended 31 December 2006. As advised by the Company, the products and raw materials to be sold by Zhong Da Group to Zhongwei Bus under the Zhongwei Bus Sales Agreement will be more extensive than those to Zhongwei Bus in the past in consideration that Zhongwei Bus is in the process of expanding its production capacity. In particular, according to the expansion plan learnt from the Company after discussion with the management of Zhongwei Bus, Zhongwei Bus is expected to purchase additional coating and painting equipment/facilities from the Group in phases during the three years ending 31 December 2009. Therefore, it is expected that the Group shall have substantially increase in sales orders from Zhongwei Bus in future.

We have reviewed certain relevant invoices in relation to the sales of products and raw materials by the Company to independent customers and compared these prices with those prices of the historical transactions between the Company and Zhongwei Bus (which have been confirmed as representative samples according to the Directors). We noted that the transacted prices of the sample historical transactions between the Company and Zhongwei Bus were similar to those sales to independent customers of similar products and raw material with comparable quality in comparable quantity which were determined at arms' length negotiation between the parties. In addition, as set out in the respective notes to the financial statement of the annual reports of the Company for the three years ended 31 December 2006, we note that the sale to Zhongwei Bus were at the then prevailing market price. Moreover, pursuant to the Zhongwei Bus Sales Agreement, we note that the credit terms granted by the Company to Zhongwei Bus would be 30 days which is in line with common market practice. Although the transactions contemplated under the Zhongwei Bus Sales Agreement have not been commenced where no actual price comparison can be made, based on historical pattern of similar transactions carried out in the past and the terms of price determination pursuant to the Zhongwei Bus Sales Agreement, we have reasonable ground to believe that the transactions contemplated under the Zhongwei Bus Sales Agreement will be carried out on normal commercial terms.

Further, we note that the Group has taken a prudent approach to assume that there will be no growth in the monetary amount of the transactions between the Company and Zhongwei Bus under the Zhongwei Bus Sales Agreement for the three years ending 31 December 2009 and we consider that this approach is reasonable as the automobile industry is cyclical and the Company will comply with the relevant requirements of the Listing Rules should the Caps be exceeded.

On the above basis, we are of the view that the bases on which the annual Caps were determined are fair and reasonable and in the interests of the Shareholders and the Company as a whole and the Caps are fair and reasonable.

LETTER FROM PARTNERS CAPITAL

In summary, given that the relevant terms of individual agreement will be determined upon execution with reference to the then prevailing market conditions and the above pricing principles, we consider that the Continuing Connected Transactions are to be carried out on normal commercial terms and in the ordinary course of business and the bases on which the annual Caps were determined are fair and reasonable and in the interests of the Shareholders and the Company as a whole.

3. *The conditions*

As the respective Caps of the Continuing Connected Transactions will exceed HK\$10 million and the relevant applicable ratios under the Listing Rules exceed 2.5%, the Continuing Connected Transactions are subject to reporting, announcement, and the Independent Shareholders' approval requirements under the Listing Rules.

The Company will therefore seek the approval by the Independent Shareholders of the relevant framework agreements governing the Continuing Connected Transactions including the Caps for the three financial year ending 31 December 2009 subject to the following conditions:

1. The Continuing Connected Transactions will be:
 - (i) entered into by the Company in the ordinary and usual course of its business;
 - (ii) conducted on normal commercial terms or, if there are no sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Company than terms available from independent third parties; and
 - (iii) entered into in accordance with the terms of the relevant framework agreements governing such Continuing Connected Transactions that are fair and reasonable and in the interests of the Shareholders as a whole;
2. The transacted amount of the transactions under the relevant framework agreements for the three year ending 31 December 2009 shall not exceed the Caps as stated above;
3. The Company will comply with all other relevant requirements under the Listing Rules.

Taking into account of the conditions attached to the Continuing Connected Transactions, in particular (i) the restriction by way of setting the Caps; and (ii) the compliance with all other relevant requirements under the Listing Rules (which include the annual review and/or confirmation by the independent non-executive Directors and auditors of the Company on the actual execution of the Continuing Connected Transactions), we consider that the Company has taken appropriate measures to govern the Company in carrying out the Continuing Connected Transactions, thereby safeguarding the interests of the Shareholders thereunder.

LETTER FROM PARTNERS CAPITAL

Recommendation

Having considered the above principal factors, we are of the opinion that the terms of the Continuing Connected Transactions are in the interests of the Company and the Shareholders as a whole and are fair and reasonable so far as the Independent Shareholders are concerned and the Caps are fair and reasonable. We consider that the Continuing Connected Transactions are to be carried out on normal commercial terms and in the ordinary course of business of the Company. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the SGM for approving the Continuing Connected Transactions and the Caps.

Yours faithfully,

For and on behalf of

Partners Capital International Limited

Alan Fung

Harry Yu

Managing Director Executive Director

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

Name of Directors	Personal interests	Corporate interests	Total number of Shares held	% of total issued Shares
Xu Lian Guo (Note 1)	–	204,004,000	204,004,000	39.4%
Xu Lian Kuan (Note 1)	–	204,004,000	204,004,000	39.4%
Zhang Yuqing	17,600,000	–	17,600,000	3.4%

Note 1: These Shares are held by Zhong Da (BVI) Limited which is 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	204,004,000	39.4%
Shum Yip Holdings Company Limited	Beneficial owner	2	39,576,000	7.6%
Penta Investment Advisers Ltd	Investment manager		93,486,000	18.1%
L-R Global Partners, L.P.	Investment manager		26,606,000	5.1%

Notes:

- Zhong Da (BVI) Limited is beneficially 57.22% and 42.78% owned by Mr. Xu Lian Guo and Mr. Xu Lian Kuan respectively.
- These Shares are held by Gainful Outcome Holdings Limited and Outstanding Management Limited, wholly-owned subsidiaries of Shum Yip Holdings Company Limited, respectively.

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. MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse change in the financial or trading position or contingent liabilities of the Group since 31 December 2006, being the date to which the latest published audited financial statements of the Company were made up.

8. EXPERTS AND CONSENT

The following are the qualifications of the professional advisers whose opinions or advice are contained in this circular:

Name	Qualification
Partners Capital	a corporation licensed to carry out types 1 and 6 regulated activities under the SFO

Partners Capital have given and have not withdrawn their respective written consent to the issue of this circular with the inclusion of their respective letters and/or reports and/or references to their names, as the case may be, in the form and context in which they respectively appear.

As at the Latest Practicable Date, Partners Capital did not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group, and Partners Capital did not have any direct or indirect interest in any assets which have been or proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2006, being the date to which the latest published audited accounts of the Company were made up.

9. INTERESTS IN ASSETS

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any asset which had been, since 31 December 2006, being the date to which the latest published audited financial statements of the Company were made up, acquired or disposed of by or leased to any member of the Group.

10. DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed herein, there was no contract of significance in relation to the Group's business to which the Company, its subsidiaries, its fellow subsidiaries or its holding company was a party and in which a Director had a material interest, whether directly or indirectly, subsisting as at the Latest Practicable Date.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at the head office and principal place of business in Hong Kong of the Company at Unit 702, Concordia Plaza, 1 Science Museum Road, Tsim Sha Tsui East, Kowloon, Hong Kong, up to and including 22 October 2007:

- (a) the memorandum of association and the bye-laws of the Company;
- (b) the “Letter from the Independent Board Committee” as set out in this circular;
- (c) the “Letter from Partners Capital” as set out in this circular;
- (d) the written consent from Partners Capital as referred to in the section headed “Experts and Consent” above;
- (e) the Yancheng Celette Purchase Agreement;
- (f) the Zhongwei Bus Sales Agreement; and
- (g) the Yancheng Celette Sales Agreement, as disclosed in the Announcement, made between Zhong Da International and Yancheng Celette for the sales of the raw materials, parts and components by Zhong Da Group to Yancheng Celette.

12. 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 Tricor Standard 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.

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: 909)

NOTICE IS HEREBY GIVEN that a special general meeting of the shareholders of Zhongda International Holdings Limited (the “**Company**”) will be held at Plaza IV, Novotel Century Hong Kong Hotel, 238 Jaffe Road, Wanchai, Hong Kong on Thursday, 25 October 2007 at 3:00 p.m. for the purpose of considering and, if thought fit, passing the following resolutions as ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

1. “THAT

- (a) the Yancheng Celette Purchase Agreement (as defined in the circular of the Company dated 4 October 2007 (the “**Circular**”), a copy of which has been produced to the meeting and marked “A” and initialed by the chairman of the meeting for the purpose of identification, and the terms thereof and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;
- (b) the annual Caps (as stated in the Circular) for the transactions contemplated under the Yancheng Celette Purchase Agreement for the three years ending 31 December 2009 respectively as shown in the Circular be and are hereby approved; and
- (c) any one director of the Company, or any two directors of the Company if the affixation of the common seal is necessary, be and is/are hereby authorised for and on behalf of the Company to execute at his/their sole discretion all such other documents, instruments and agreements and to do at his/their sole discretion all such acts or things deemed by him/them to be incidental to, ancillary to or in connection with the matters contemplated in the Yancheng Celette Purchase Agreement.”

2. “THAT

- (a) the Zhongwei Bus Sales Agreement (as defined in the circular of the Company dated 4 October 2007 (the “**Circular**”), a copy of which has been produced to the meeting and marked “B” and initialed by the chairman of

* For identification purpose only

NOTICE OF SGM

the meeting for the purpose of identification, and the terms thereof and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;

- (b) the annual Caps (as stated in the Circular) for the transactions contemplated under the Zhongwei Bus Sales Agreement for the three years ending 31 December 2009 respectively as shown in the Circular be and are hereby approved; and
- (c) any one director of the Company, or any two directors of the Company if the affixation of the common seal is necessary, be and is/are hereby authorised for and on behalf of the Company to execute at his/their sole discretion all such other documents, instruments and agreements and to do at his/their sole discretion all such acts or things deemed by him/them to be incidental to, ancillary to or in connection with the matters contemplated in the Zhongwei Bus Sales Agreement.”

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

Hong Kong, 4 October 2007

Principal place of business:

Unit 702
Concordia Plaza
1 Science Museum Road
Tsim Sha Tsui East
Kowloon
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 notarially certified copy thereof must be lodged at the Company's principal place of business in Hong Kong at Unit 702, Concordia Plaza, 1 Science Museum Road, Tsim Sha Tsui East, Kowloon, 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 personal 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 Xin Zhong as independent non-executive directors of the Company respectively.