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**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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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 your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

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

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**ZHONGDA INTERNATIONAL HOLDINGS LIMITED**

**中大國際控股有限公司\***

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 909)**

**REVISION OF ANNUAL CAP  
UNDER ZHONGWEI BUS SALES AGREEMENT**

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



**UPBEST SECURITIES COMPANY LIMITED**

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A letter from the Board is set out on pages 4 to 9 of this circular. A letter from the Independent Board Committee to the Independent Shareholders is set out on pages 10 to 11 of this circular. A letter from Upbest Securities, the independent financial adviser, containing its advice and recommendation to the Independent Board Committee and the Independent Shareholders is set out on pages 12 to 17 of this circular.

A notice convening the SGM to be held at 1609, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong on Thursday, 9 October 2008 at 3:00 p.m. is set out on pages 23 to 24 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*

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## DEFINITIONS

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

“2007 Announcement”	the announcement made by the Company on 23 August 2007 in relation to, inter alia, the continuing connected transactions under the Zhongwei Bus Sales Agreement
“Approved Cap”	the annual cap of RMB80,000,000 for the transactions contemplated under the Zhongwei Bus Sales Agreement for each of the two years ending 31 December 2009
“associates”	the term bearing the meanings ascribed to it under the Listing Rules
“Board”	the board of directors of the Company
“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 transactions contemplated under the Zhongwei Bus Sales Agreement, as supplemented by the Zhongwei Bus Sales Supplemental Agreement, which constitute continuing connected transactions of the Company under the Listing Rules
“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 Xinzhong, 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”	12 September 2008, 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
“PRC”	the People’s Republic of China

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## DEFINITIONS

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“Revised Cap”	the annual cap of RMB400,000,000 for the transactions contemplated under the Zhongwei Bus Sales Agreement as supplemented by the Zhongwei Bus Sales Supplemental Agreement for each of the two years ending 31 December 2009
“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 Zhongwei Bus Sales Agreement as supplemented by the Zhongwei Bus Sales Supplemental Agreement with the Revised Cap
“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
“Upbest Securities”	Upbest Securities Company Limited, a licensed corporation for Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO, which has been appointed by the Company as the independent financial advisor to the Independent Board Committee and the Independent Shareholders in respect of the Continuing Connected Transactions
“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
“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

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## DEFINITIONS

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“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
“Zhongwei Bus Sales Supplemental Agreement”	a supplemental sales agreement dated 14 August 2008 entered into between Zhong Da International and Zhongwei Bus which is supplemental to the Zhongwei Bus Sales Agreement in respect of the Revised Cap
“%”	per cent.
“RMB”	Renminbi, the lawful currency of the PRC
“USD”	United States dollar, the lawful currency of the United States of America

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## LETTER FROM THE BOARD

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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)**

*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 HM11  
Bermuda

*Principal place of business  
in Hong Kong:*

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

19 September 2008

*To the Shareholders*

Dear Sir or Madam,

### REVISION OF ANNUAL CAP UNDER ZHONGWEI BUS SALES AGREEMENT

#### 1. INTRODUCTION

On 23 August 2007, the Company announced, inter alia, the continuing connected transactions with Zhongwei Bus pursuant to the Zhongwei Bus Sales Agreement regarding the sales by Zhong Da Group to Zhongwei Bus of products and raw materials, details of which are disclosed in the 2007 Announcement. The continuing connected transactions under the Zhongwei Bus Sales Agreement and the Approved Cap had been approved by a special general meeting of the Company held on 25 October 2007 by way of poll.

On 14 August 2008, Zhong Da International entered into the Zhongwei Bus Sales Supplemental Agreement with Zhongwei Bus in respect of the Revised Cap.

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 Zhongwei Bus Sales Agreement as supplemented by the Zhongwei Bus Sales

\* For identification purpose only

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## LETTER FROM THE BOARD

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Supplemental Agreement with the Revised Cap. Upbest Securities has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders.

The purpose of this circular is to provide you with, among others, the details of (i) the Zhongwei Bus Sales Agreement as supplemented by the Zhongwei Bus Sales Supplemental Agreement with the Revised Cap; (ii) the recommendation from the Independent Board Committee to the Independent Shareholders on the Zhongwei Bus Sales Agreement as supplemented by the Zhongwei Bus Sales Supplemental Agreement with the Revised Cap; (iii) the recommendation from Upbest Securities to the Independent Board Committee and the Independent Shareholders on the Zhongwei Bus Sales Agreement as supplemented by the Zhongwei Bus Sales Supplemental Agreement with the Revised Cap; (iv) the Revised Cap; and (v) the notice of SGM.

### **2. REVISION OF ANNUAL CAP REGARDING THE CONTINUING CONNECTED TRANSACTIONS**

#### **(a) Principal terms of the 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 transactions contemplated under the Zhongwei Bus Sales Agreement are to be satisfied on a cash basis with a payment term of 30 days.

The Zhongwei Bus Sales Agreement was entered into on an arm's length basis, on normal commercial terms in the ordinary and usual course of business of the Company and are fair and reasonable so far as the Company and the Shareholders are concerned.

Based on the unaudited financial statements of the Zhong Da Group for the year ended 31 December 2007 and for the six months ended 30 June 2008, which were prepared in accordance with the applicable PRC accounting standards, the sales by Zhong Da Group to Zhongwei Bus of products and raw materials amounted to approximately RMB52 million and RMB80 million, respectively. As at the Latest Practicable Date, Zhong Da Group has not exceeded the Approved Cap.

#### **(b) Proposal to revise the Approved Cap**

Taking into account of the following reasons, the Company believes that the continuing connected transactions contemplated under the Zhongwei Bus Sales Agreement should be catered to the Revised Cap, which will be as supplemented by the Zhongwei Bus Sales Supplemental Agreement:–

- (1) the Approved Cap having been met as at the Latest Practicable Date;

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## LETTER FROM THE BOARD

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- (2) the existing sales orders of Zhongwei Bus on hand, in particular the sales orders to the Russian market (the “**Russian Sales**”). According to Zhongwei Bus, Zhongwei Bus had entered into sales contracts with Taganrog Automotive Plant (TagAZ), one of the largest and most modern car manufacturers in Russia, for the sale of 100 units of buses and coaches in CKD (completely knocked down) at a total turnover of approximately USD4.8 million and an additional sale of 1,200 units to be concluded before November 2008. The estimated aggregate turnover under the Russian Sales is expected to be exceeding USD50 million; and
- (3) the expected surge in demand by Zhongwei Bus for the products and raw materials of Zhong Da Group in view of the increased sales of Zhongwei Bus, in particular the Russian Sales.

In such regard, the Company proposes to revise the Approved Cap for the continuing connected transactions under the Zhongwei Bus Sales Agreement to cater for the recent increasing demand of products and raw materials by Zhongwei Bus for each of the two years ending 31 December 2009. On 14 August 2008, Zhong Da International entered into the Zhongwei Bus Sales Supplemental Agreement with Zhongwei Bus in respect of the Revised Cap. The Zhongwei Bus Sales Supplemental Agreement is conditional upon the approval of Independent Shareholders at the SGM having been obtained.

### (c) Revised Cap and Reason for the Revised Cap

The Approved Cap and the Revised Cap for the two years ending 31 December 2009 are set out below:–

	<b>Year ending 31 December 2008 RMB'000</b>	<b>Year ending 31 December 2009 RMB'000</b>
Approved Cap	80,000	80,000
Revised Cap	400,000	400,000

The Revised Cap is estimated based on various factors including but not limited to:

1. the sales of products and raw materials by Zhong Da Group to Zhongwei Bus under the Approved Cap for the year ending 31 December 2008 having been met as at the Latest Practicable Date;
2. the existing purchase orders on hand from Zhongwei Bus, in particular the Russian Sales;
3. the business growth of Zhongwei Bus in the years 2008 and 2009; and



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## LETTER FROM THE BOARD

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4. the expected surge in demand by Zhongwei Bus for the products and raw materials to be sold by Zhong Da Group as a result of items 2 and 3 above.

If the aggregate annual value of the Continuing Connected Transactions exceeds the Revised Cap, the Company will further comply with all relevant requirements of Chapter 14A of the Listing Rules.

The Continuing Connected Transactions will continue to generate stream of revenue source to the Group. The Revised Cap will provide sufficient flexibility for the expansion in the Group's business. The Board (including the independent non-executive Directors) considers that the revision from the Approved Cap to the Revised Cap is in the usual and ordinary course of business of the Group, on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders 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.

### 3. LISTING RULES REQUIREMENTS

Zhongwei Bus is owned as to 65% 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, Zhongwei Bus is a connected person of the Company as defined under the Listing Rules and the transactions contemplated under the Zhongwei Bus Sales Agreement as supplemented by the Zhongwei Bus Sales Supplemental Agreement constituted continuing connected transactions of the Company under the Listing Rules.

As the applicable percentage ratios for the Revised Cap for each of the two years ending 31 December 2009 are expected to exceed 2.5% and the annual consideration receivable from Zhongwei Bus is expected to exceed HK\$10 million, the continuing connected transactions under the Zhongwei Bus Sales Agreement as supplemented by the Zhongwei Bus Sales Supplemental Agreement with the Revised Cap constitute non-exempt continuing connected transactions of the Company under Rule 14A.35 of the Listing Rules and such transactions and the Revised Cap are subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. The Company is required to re-comply with Rule 14A.35(3) and (4) of the Listing Rules and the Continuing Connected Transactions are set out in this circular pursuant to Rule 14A.36 of the Listing Rules.

### 4. 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.

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.

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## LETTER FROM THE BOARD

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### 5. SGM

The SGM will be held at 1609, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong on Thursday, 9 October 2008 at 3:00 p.m. to approve the Zhongwei Bus Sales Agreement as supplemented by the Zhongwei Bus Sales Supplemental Agreement with the Revised Cap. 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, Mr. Zhang Yuqing and their respective associates is required to abstain from voting in respect of the Zhongwei Bus Sales Agreement as supplemented by the Zhongwei Bus Sales Supplemental Agreement with the Revised Cap. 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 38.5% of the issued share capital of the Company, and Mr. Zhang Yuqing is interested in 17,600,000 Shares, representing approximately 3.3% of the issued share capital of the Company respectively. Mr. Xu Lian Guo, Mr. Xu Lian Kuan, Mr. Zhang Yuqing and their respective associates 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 Zhongwei Bus Sales Agreement as supplemented by the Zhongwei Bus Sales Supplemental Agreement with the Revised Cap. Upbest Securities has been appointed as the independent financial adviser 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 1609, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong as soon as possible, but in any event not less 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.

### 6. 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

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## LETTER FROM THE BOARD

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- (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.

### 7. RECOMMENDATION

Your attention is drawn to (i) the letter from the Independent Board Committee set out on pages 10 to 11 of this circular which contains the recommendation of the Independent Board Committee to the Independent Shareholders concerning the Zhongwei Bus Sales Agreement as supplemented by the Zhongwei Bus Sales Supplemental Agreement with the Revised Cap; (ii) the letter from Upbest Securities set out on pages 12 to 17 of this circular which contains its recommendation to the Independent Board Committee and the Independent Shareholders on the Zhongwei Bus Sales Agreement as supplemented by the Zhongwei Bus Sales Supplemental Agreement with the Revised Cap and the principal factors and reasons considered by Upbest Securities in arriving at its recommendation.

Having considered the above principal factors and reasons, the Board is of the opinion that the Zhongwei Bus Sales Agreement as supplemented by the Zhongwei Bus Sales Supplemental Agreement with the Revised Cap 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 resolution to be proposed at the SGM to approve the Zhongwei Bus Sales Agreement as supplemented by the Zhongwei Bus Sales Supplemental Agreement with the Revised Cap.

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*



**ZHONGDA INTERNATIONAL HOLDINGS LIMITED**

**中大國際控股有限公司\***

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 909)**

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

19 September 2008

*To the Independent Shareholders*

Dear Sir or Madam,

**REVISION OF ANNUAL CAP  
UNDER ZHONGWEI BUS SALES AGREEMENT**

We refer to the circular dated 19 September 2008 (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 Zhongwei Bus Sales Agreement as supplemented by the Zhongwei Bus Sales Supplemental Agreement with the Revised Cap, details of which are set out in the text of the letter from the Board as set out on pages 4 to 9 of the Circular.

We wish to draw your attention to the letter from Upbest Securities (as set out on pages 12 to 17 of the Circular) which contains, inter alia, its advice to us as regards the Zhongwei Bus Sales Agreement as supplemented by the Zhongwei Bus Sales Supplemental Agreement with the Revised Cap together with the principal factors and reasons for its advice.

Having taken into account the advice of Upbest Securities, we consider that the Zhongwei Bus Sales Agreement as supplemented by the Zhongwei Bus Sales Supplemental Agreement with the Revised Cap are in the interests of the Company and the Shareholders as a whole and that the Zhongwei Bus Sales Agreement as supplemented by the Zhongwei Bus Sales Supplemental Agreement with the Revised Cap, as a whole, are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we

\* *For identification purpose only*

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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recommend the Independent Shareholders to vote in favour of the ordinary resolution approving the Zhongwei Bus Sales Agreement as supplemented by the Zhongwei Bus Sales Supplemental Agreement with the Revised Cap 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 Xinzhong**  
*Independent non-executive  
Director*

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## LETTER FROM UPBEST SECURITIES

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*The following is the full text of a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Revised Cap, which has been prepared for the purpose of inclusion in this circular.*



美建證券有限公司

Upbest Securities Company Limited

上環德輔道中302號華傑商業中心2樓 2/F, Wah Kit Commercial Centre, 302 Des Voeux Road Central, Hong Kong

Tel : (852) 2545-3298

Fax : (852) 2545-9279

19 September 2008

*To the Independent Board Committee and  
the Independent Shareholders*

Dear Sirs and Madams,

### **REVISION OF CAP FOR EXISTING CONTINUING CONNECTED TRANSACTIONS**

#### **INTRODUCTION**

We refer to our engagement as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders on the Revised Cap, details of which are set out in the letter from the board (the “**Letter from the Board**”) contained in the circular (the “**Circular**”) of the Company dated 19 September 2008 of which this letter forms part. Unless the context requires otherwise, terms used in this letter shall have the same meanings as defined in the Circular.

As set out in the Letter from the Board, on 23 August 2007, the Company announced, inter alia, the continuing connected transactions with Zhongwei Bus pursuant to the Zhongwei Bus Sales Agreement regarding the sales by Zhong Da Group to Zhongwei Bus of products and raw materials, details of which are disclosed in the 2007 Announcement. The continuing connected transactions under the Zhongwei Bus Sales Agreement and the Approved Cap had been approved by a special general meeting of the Company held on 25 October 2007 by way of poll.

On 14 August 2008, Zhong Da International entered into the Zhongwei Bus Sales Supplemental Agreement with Zhongwei Bus in respect of the Revised Cap.

Zhongda Industrial Group is controlled by both Mr. Xu Lian Guo and Mr. Xu Lian Kuan, Directors and substantial shareholders of the Company. Zhongwei Bus is owned as to 65% by Zhongda Industrial Group. As such, Zhongwei Bus is a connected person of the Company as defined under the Listing Rules. Thus, the transactions contemplated under the

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## LETTER FROM UPBEST SECURITIES

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Zhongwei Bus Sales Agreement as supplemented by the Zhongwei Bus Sales Supplemental Agreement constituted continuing connected transaction of the Company under the Listing Rules.

As the applicable percentage ratio for the Revised Cap for each of the two years ending 31 December 2009 are expected to exceed 2.5% and the annual consideration receivable from Zhongwei Bus is expected to exceed HK\$10,000,000, the Zhongwei Bus Sales Agreement as supplemented by the Zhongwei Bus Sales Supplemental Agreement with the Revised Cap constitute non-exempt continuing connected transactions for the Company under the Listing Rules and such transactions as well as the Revised Cap shall be subject to, inter alia, to the Independent Shareholders' approval at the SGM.

Mr. Zhang Yuqing, Director, is also a director of Zhongda Industrial Group, and thus is a connected person of the Company as defined under the Listing Rules.

Being the connected persons, Mr. Xu Lian Guo, Mr. Xu Lian Kuan and Mr. Zhang Yuqing, and their respective associates will abstain from voting in the SGM to approve the Revised Cap.

Accordingly the Independent Board Committee, comprising of three independent non-executive Directors, namely Mr. Gu Yao Tian, Mr. Sun Ka Ziang Henry and Mr. Li Xinzhong, has been established to advise the Independent Shareholders on the Revised Cap as to whether the Revised Cap is fair and reasonable and in the interest of the Company and the Shareholders as a whole.

In this regard, Upbest Securities Company Limited has been appointed as the independent financial advisor 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.

### **BASIS OF OUR ADVICE**

In formulating our recommendation, we have relied on the statements, information, opinions and representations contained in the Circular, and the information and representations provided to us by the Directors and the management of the Company. We have assumed that all information, representations and opinions contained or referred to in the Circular and all information, representations and opinions which have been provided by the Directors and the management of the Company for which they are solely responsible, are true and accurate at the time they were made and will continue to be accurate at the date of the Circular.

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## LETTER FROM UPBEST SECURITIES

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The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts not contained in the Circular the omission of which would make any such statement contained in the Circular misleading. We consider that we have been provided with sufficient information on which to form a reasonable basis for our recommendation. We have no reason to suspect that any relevant material facts has been omitted or withheld from the information or representation contained or opinions expressed in the Circular, nor are we aware of any fact or circumstance which would render the information provided and representations and opinions made to us untrue, inaccurate, incomplete or misleading. We consider that we have performed all the necessary steps to enable us to reach an informed view and to justify our reliance on the information provided so as to render a reasonable basis for our recommendation. However, we have not carried out any independent verification of the information provided by the Directors and the management of the Company, nor have we conducted an independent in-depth investigation into the business and affairs of the Group, the Company, Zhongwei Bus and their respective associates.

### PRINCIPAL FACTORS TAKEN INTO ACCOUNT

In arriving at our opinion regarding the terms of the Revised Cap, we have considered the following principal factors and reasons:

#### **1. Background**

##### *1.1 Information of the Company and the Group*

The Company is an exempted company incorporated in Bermuda with limited liability and whose shares are listed on the Stock Exchange.

The principal activities of the Group are the 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.

##### *1.2 Information of Zhongwei Bus*

The principal activities of Zhongwei Bus are the manufacture and sale of motor vehicles and automobile spare parts, trading of metals and the provision of maintenance services for motor vehicles.

#### **2. Background of the 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



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## LETTER FROM UPBEST SECURITIES

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of approximately 5 per cent respectively. The transactions contemplated under the Zhongwei Bus Sales Agreement are to be satisfied on a cash basis with a payment term of 30 days.

The Zhongwei Bus Sales Agreement was entered into on an arm's length basis, on normal commercial terms in the ordinary and usual course of business of the Company and is fair and reasonable so far as the Company and the Shareholders are concerned.

Based on the unaudited financial statements of the Zhong Da Group for the year ended 31 December 2007 and for the six months ended 30 June 2008, which were prepared in accordance with the applicable PRC accounting standards, the sales by Zhong Da Group to Zhongwei Bus of products and raw materials amounted to approximately RMB 52 million and RMB 80 million, respectively. As at the Latest Practicable Date, Zhong Da Group has reached the Approved Cap.

### **3. Reasons and Basis for the Revised Cap**

Given the trading nature of Zhongwei Bus, the amount of business to be conducted is market and customer demand driven. According to Zhongwei Bus, it had entered into sales contracts with Taganrog Automotive Plant, one of the largest and most modern car manufacturers in Russia for the sale of 100 units of buses and coaches in CKD at a total turnover of approximately USD 4.8 million, and an additional sale of 1,200 units to be concluded before November 2008.

The Company expects there will be a surge in demand by Zhongwei Bus for the products and raw materials of Zhong Da Group in view of the anticipated business growth of Zhongwei Bus, in particular the Russian Sales.

The sale of products and raw materials by Zhong Da Group to Zhongwei Bus under the Approved Cap for the year ending 31 December 2008 having been met as at the Latest Practicable Date.

In view of the above, the Directors believe that the continuing connected transactions contemplated under the Zhongwei Bus Sales Agreement should be catered to the Revised Cap, which will be supplemented by the Zhongwei Bus Sales Supplemental Agreement. As such, the Directors will like to seek shareholders' approval in the SGM to revise the Approved Cap for the captioned connected transactions for each of the two financial years ending 31 December 2008 and 2009 to RMB 400 million respectively. The Directors are of the view that the Revised Cap (i) is determined on an arm's length basis, is fair and reasonable and is in the interests of the Company and the Shareholders as a whole, (ii) is in the interest of the Company's future development that it should extend sufficient flexibility to capture any increase in the volume and the quantity or other new opportunities in its business as it arises, and (iii) can further avoid administrative inconvenience of seeking Shareholders' approval for each connected transaction conducted in its ordinary course of business within the Revised Cap, which would otherwise require Shareholders' approval if there were to be without the approval of Revised Cap.

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## LETTER FROM UPBEST SECURITIES

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In order to assess the fairness and reasonableness of the Revised Cap in respect of the captioned continuing connected transactions and of the reasons as mentioned above, we have discussed with the management. We were given to understand that the Revised Cap is determined based on (i) the existing purchase orders on hand from Zhongwei Bus in particular the Russian Sales, (ii) the expected sales quantity increment and mixture, (iii) projected market price of the product and raw material and the respective mixture, (iv) the gross margin, (v) credit terms, and (vi) geographic mixture of the distribution of sales by Zhongwei Bus.

In this regard, we have compared the credit terms of the sales that Zhong Da Group is to make to Zhongwei Bus for the latter's fulfillment of the Russian Sales with the credit term of the sales made under the Zhongwei Bus Sales Agreement, which is set at a 30-day credit. The management advised that to their understanding the credit terms of the Russian Sales extended by Zhongwei Bus to such customer(s) are in the form of a deposit to the extent of 30% of the sales amount payable within 30 days on signing the contract with the balance being settled by telegraphic transfer or irrecoverable letter of credit before shipment. This is basically in line with the credit terms extended by Zhongwei Bus to other existing customers that all the payments must be settled before delivery of goods. As such, the credit term of sales of products and materials by Zhong Da Group to Zhongwei Bus under the Zhongwei Bus Sales Supplemental Agreement continues to be at 30 days.

On comparing to the sales of products and materials by Zhong Da Group to independent customers as well as to Zhongwei Bus under Zhongwei Bus Sales Agreement for the year ended 31 December 2007 and for the six months ended 30 June 2008 ("**Historical Transactions**"), the credit term of the anticipated sales of products and materials under the Zhongwei Bus Sales Agreement as supplemented by the Zhongwei Bus Sales Supplemental Agreement is consistent with that of Historical Transactions being at 30 days. This is, as confirmed by the management, in line with the market norm.

The management advised that to their understanding, the gross margin of Russian Sales is comparable to that of the other sales of Zhongwei Bus, and is better than the market average. The management therefore does not expect that Zhong Da Group has to deviate from the current trade terms of sales at the prevailing market price, with Zhongwei Bus in connection with the sales of products and raw materials that will be relating to the Russian Sales of Zhongwei Bus. Also Zhongwei Bus does not raise any request of variation of the pricing term in this respect. The Zhongwei Bus Sales Supplemental Agreement will provide similar basis of pricing term under the Zhongwei Bus Sales Agreement.

As revealed in the audited financial statements of the Zhong Da Group for the year ended 31 December 2007, the sales of products and materials to Zhongwei Bus under the Zhongwei Bus Sales Agreement were determined at the then prevailing market price and at the cost plus a profit margin of approximately 5 per cent. This pricing policy has been applied on similar basis to the sales to independent third parties. In the anticipated sales under the Zhongwei Bus Sales Agreement as supplemented by Zhongwei Bus Sales Supplemental Agreement, the price of products

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## LETTER FROM UPBEST SECURITIES

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and materials is set at the same pricing policy applied under the Historical Transactions. The management confirmed that the captioned pricing policy is in line with the prevailing market practice.

Upon review, we have received confirmation from the management that due to practical logistic issue, the Company has cautiously projected that at maximum only 80% of the aforementioned purchase orders from Zhongwei Bus relating to the Russian Sales be performed during the year ending 31 December 2008. Applying the pro forma exchange rate of RMB 6.8 to USD1 at 80% of the estimated aggregate turnover from the Russian Sales of USD 50 million, the projected sales in this regard is approximately RMB 270 million. Adding to it the existing sales of RMB 80 million, the estimated sales for the year ending 31 December 2008 will be in the range of RMB 350 million. With a buffer of RMB 50 million for the anticipated business growth of Zhongwei Bus which is not yet reflected into confirmed orders or indicative orders on hand, the Board has proposed to set the Revised Cap for the year ending 31 December 2008 as RMB 400 million.

The management has taken a prudent approach that there is assumed to be no growth in the monetary amount of the transactions between the Company and Zhongwei Bus under the Zhongwei Bus Sales Agreement as supplemented by the Zhongwei Bus Sales Supplemental Agreement for the year ending 31 December 2009. As such, the management proposed to set the Revised Cap for the two years ending 31 December 2009 as RMB 400 million. 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 Revised Cap be exceeded.

Based on the above, we are of the view that the Revised Cap in respect of the existing continuing connected transactions with Zhongwei Bus is in the interest of the Company and Shareholders as a whole, and is fair and reasonable so far as the Company and the Independent Shareholders as a whole.

### **RECOMMENDATION**

Having taken into account the principal factors and reasons referred to the above, we are of the opinion that the Revised Cap (i) is in the ordinary and usual course of business, (ii) is fair and reasonable, (iii) is on normal commercial terms and (iv) is in the interests of the Company and the Shareholders as a whole. We therefore advise the Independent Board Committee to recommend the Independent Shareholders to vote in favor of the ordinary resolution to be proposed at the SGM for approving the Revised Cap.

Yours faithfully,  
For and on behalf of  
**Upbest Securities Company Limited**  
**LI Kwok Cheung, George**

## 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 and underlying Shares*

Name of Directors	Notes	Number of Shares		Number of underlying Shares	Total	% of total issued Shares
		Personal interests	Corporate interests			
Mr. Xu Lian Guo	1	–	204,004,000	–	229,004,000	43.3%
	2	–	–	25,000,000		
Mr. Xu Lian Kuan	1	–	204,004,000	–	229,004,000	43.3%
	2	–	–	25,000,000		
Mr. Zhang Yuqing		17,600,000	–	–	17,600,000	3.3%

### *Notes:*

- The 204,004,000 Shares are held by Zhong Da (BVI) Limited which is beneficially owned as to 57.22% and as to 42.78% by Mr. Xu Lian Guo and Mr. Xu Lian Kuan, respectively.
- Both Mr. Xu Lian Guo and Mr. Xu Lian Kuan are interested in the 25,000,000 Shares to be allotted and issued to Zhong Da (BVI) Limited upon the exercise of the conversion rights attached to the convertible bonds pursuant to the subscription agreement dated 24 July 2008, details of which are disclosed in the circular of the Company dated 14 August 2008.

### 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	Number of underlying Shares held	% of the issued share capital
Zhong Da (BVI) Limited	Beneficial owner	1	204,004,000	–	38.5%
	Beneficial owner	2	–	25,000,000	4.7%
Shum Yip Holdings Company Limited	Beneficial owner	3	39,576,000	–	7.5%
Penta Investment Advisers Ltd	Investment manager		96,024,000	–	18.1%
L-R Global Partners, L.P.	Investment manager		26,606,000	–	5.0%

*Notes:*

1. The 204,004,000 Shares are held by Zhong Da (BVI) Limited which is beneficially owned as to 57.22% and as to 42.78% by Mr. Xu Lian Guo and Mr. Xu Lian Kuan, respectively.
2. 25,000,000 Shares will be allotted and issued to Zhong Da (BVI) Limited upon the exercise of the conversion rights attached to the convertible bonds pursuant to the subscription agreement dated 24 July 2008, details of which are disclosed in the circular of the Company dated 14 August 2008.
3. These Shares are held by Gainful Outcome Holdings Limited and Outstanding Management Limited, both being 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 2007, 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:

<b>Name</b>	<b>Qualification</b>
Upbest Securities	A licensed corporation for Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO.

Upbest Securities 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, Upbest Securities 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 Upbest Securities 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 2007, 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 2007, 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 for the contracts as referred to in items (h) to (n) in the section headed "Documents available for inspection" below, there was no contract of significance in relation to the Group's business to which, 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 principal place of business in Hong Kong of the Company at 1609, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong, up to and including 6 October 2008:

- (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 Upbest Securities" as set out in this circular;
- (d) the written consent from Upbest Securities as referred to in the section headed "Experts and Consent" above;
- (e) the circular of the Company dated 4 October 2007 in regard to the Yancheng Celette Purchase Agreement (as defined therein) and the Zhongwei Bus Sales Agreement which constituted continuing connected transactions of the Company respectively;
- (f) the circular of the Company dated 21 April 2008 in relation to the Exclusive Agency Agreement (as defined therein) which constituted continuing connected transactions of the Company;
- (g) the circular of the Company dated 14 August 2008 regarding the Acquisition (as defined therein) and the Subscription (as defined therein) which constituted connected transactions of the Company respectively;
- (h) the Yancheng Celette Purchase Agreement as referred to in item (e) above;
- (i) the Zhongwei Bus Sales Agreement;

- (j) the Yancheng Celette Sales Agreement as referred to in the 2007 Announcement regarding the sales of raw materials, parts and components by the Group;
- (k) the Exclusive Agency Agreement as referred to in item (f) above;
- (l) the Acquisition Agreement as referred to in item (g) above;
- (m) the Subscription Agreement as referred to in item (g) above; and
- (n) the Zhongwei Bus Sales Supplemental Agreement.

**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 HM11, 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.



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## NOTICE OF SGM

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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)**

**NOTICE IS HEREBY GIVEN** that a special general meeting of the shareholders of Zhongda International Holdings Limited (the “**Company**”) will be held at 1609, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong on Thursday, 9 October 2008 at 3:00 p.m. for the purpose of considering and, if thought fit, passing the following resolution as an ordinary resolution of the Company:

#### ORDINARY RESOLUTION

**“THAT**

- (a) the Zhongwei Bus Sales Agreement as supplemented by the Zhongwei Bus Sales Supplemental Agreement (as defined in the circular of the Company dated 19 September 2008 (the “**Circular**”), copies of which have been produced to the meeting and marked “A” and “B” 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 Revised Cap (as defined in the Circular) for the transactions contemplated under the Zhongwei Bus Sales Agreement as supplemented by the Zhongwei Bus Sales Supplemental Agreement for the two 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 as supplemented by the Zhongwei Bus Sales Supplemental Agreement with the Revised Cap.”

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

Hong Kong, 19 September 2008

\* *For identification purpose only*

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## NOTICE OF SGM

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*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 notarially certified copy thereof must be lodged at the Company's principal place of business in Hong Kong 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.
- (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 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.