
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in 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 shares in Zhongda International Holdings Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser, transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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

**ZHONGDA INTERNATIONAL HOLDINGS LIMITED****中大國際控股有限公司****(Incorporated in Bermuda with limited liability)***(Stock Code: 909)**

**DISCLOSEABLE AND CONNECTED TRANSACTION
IN RESPECT OF THE ACQUISITION OF A 20% EQUITY INTEREST IN
ZHONGWEI BUS
AND
CONNECTED TRANSACTION
INVOLVING PROPOSED ISSUE OF ZERO COUPON CONVERTIBLE BONDS
DUE 2013**

**Financial adviser to
Zhongda International Holdings Limited**

TANRICH
Tanrich Capital Limited

**Independent financial adviser to
the Independent Board Committee and the Independent Shareholders**

AsiaVest Partners
AsiaVest Partners Limited

A letter from the Board is set out on pages 5 to 17 of this circular and a letter from the Independent Board Committee is set out on pages 18 to 19 of this circular. A letter from AsiaVest Partners, the independent financial adviser to the Independent Board Committee and the Independent Shareholders, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 20 to 33 of this circular.

A notice convening the SGM to be held on Monday, 1 September 2008 at Plaza I, Novotel Century Hong Kong Hotel, 238 Jaffe Road, Wanchai, Hong Kong at 3:00 p.m. is set out on pages 40 to 42 of this circular. Whether or not you are able to attend the SGM, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the principal place of business of the Company in Hong Kong at 1609, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong, as soon as possible and in any event not less than 48 hours before the appointed time for holding the meeting or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting and any adjourned meeting (as the case may be) should you so wish.

* For identification purpose only

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DEFINITIONS

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

“Acquisition”	the acquisition of the Equity Interests subject to the terms and conditions of the Acquisition Agreement
“Acquisition Agreement”	the agreement entered into between the Purchaser and the Vendor on 24 July 2008, whereby the Vendor has agreed to transfer the Equity Interests to the Purchaser
“Appraisal Report”	the appraisal report prepared by the HK Appraiser in relation to the value of the equity interests in Zhongwei Bus as at the Valuation Date
“AsiaVest Partners”	AsiaVest Partners Limited, a licensed corporation under the SFO permitted to carry out types 4 (advising in securities), 6 (advising on corporate finance) and 9 (asset management) regulated activities and the independent financial advisor to the Independent Board Committee and the Independent Shareholders in respect of the Acquisition and the Subscription
“associate”	has the meaning as defined in the Listing Rules
“Board”	the board of directors of the Company
“Business Day”	a day other than Saturday, Sunday or any day on which licensed banks in Hong Kong are open for business
“Company”	Zhongda International Holdings Limited, an exempted company incorporated in Bermuda with limited liability and whose shares are listed on the Stock Exchange
“Completion Date of Acquisition”	the date of completing the Acquisition pursuant to the Acquisition Agreement
“connected persons”	has the meaning as defined in the Listing Rules
“Convertible Bonds”	zero coupon convertible bonds in the principal amount of HK\$21,000,000 to be issued by the Company to Zhong Da (BVI) Limited, the principal terms of which are set out under the section headed “Subscription Agreement” of the “Letter from the Board” in this circular
“Conversion Price”	HK\$0.84 per Conversion Share

DEFINITIONS

“Conversion Share(s)”	new Share(s) to be allotted and issued by the Company upon exercise of the conversion rights under the Convertible Bonds
“Directors”	the directors of the Company
“Equity Interests”	a 20% equity interest in Zhongwei Bus
“Group”	the Company and its subsidiaries from time to time
“HK Appraiser”	Castores Magi Asia Limited, a professional Hong Kong business appraiser which is independent of the Group and connected persons of the Group
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent board committee of the Company comprising Mr. Gu Yao Tian, Mr. Sun Ka Ziang Henry and Mr. Li Xinzhong who are independent non-executive Directors established to give its advice in respect of the Acquisition and the Subscription
“Independent Shareholders”	(in the case of the Acquisition) 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, and (in the case of the Subscription) the Shareholders other than Mr. Xu Lian Guo and Mr. Xu Lian Kuan and their respective associates as defined under the Listing Rules
“Last Trading Date”	24 July 2008, being the last trading day of the Shares immediately prior to the signing of the Subscription Agreement
“Latest Practicable Date”	11 August 2008, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining and collation of relevant information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Maturity Date”	the fifth anniversary of the date of issue of the Convertible Bonds
“PRC”	the People’s Republic of China, and for the purpose of this circular, excludes Hong Kong, Macau Special Administrative Region and the Taiwan region

DEFINITIONS

“PRC GAAP”	the PRC General Accepted Accounting Practices
“Purchaser”	鹽城奧申工業裝備製造有限公司 (Yancheng Aoshen Industrial Equipment Manufacturing Co., Ltd.*), a wholly foreign owned enterprise established in the PRC and an indirect wholly-owned subsidiary of the Company
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGM”	the special general meeting to be held by the Company to approve the Acquisition, the Subscription and the issue of Convertible Bonds
“Share(s)”	ordinary share(s) of nominal value of HK\$0.10 each in the share capital of the Company
“Shareholders”	holders of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	the subscription by Zhong Da (BVI) Limited of the Convertible Bonds pursuant to the terms and conditions of the Subscription Agreement
“Subscription Agreement”	the agreement entered into between Zhong Da (BVI) Limited and the Company on 24 July 2008 in relation to the subscription of the Convertible Bonds
“Tanrich Capital”	Tanrich Capital Limited, a licensed corporation to carry out types 1 and 6 regulated activities under the SFO, the financial adviser to the Company in respect of the Acquisition, the Subscription and issue of the Convertible Bonds
“Valuation Date”	30 June 2008, being the assessment date adopted by the HK Appraiser in the Appraisal Report
“Zhongda Industrial Group” or the “Vendor”	中大工業集團公司 (Zhongda Industrial Group Corporation), a company established under the laws of the PRC and is controlled by Mr. Xu Lian Guo and Mr. Xu Lian Kuan
“Zhongwei Bus”	鹽城中威客車有限公司 (Yancheng Zhongwei Bus Manufacturing Co., Ltd.), a limited liability company established in the PRC and is directly owned as to 65% by the Vendor

DEFINITIONS

“%”	per cent.
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC

Note: An exchange rate of RMB1.00 to HK\$1.13 has been used for the conversion of RMB into HK\$ for the purpose of this circular.

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

Registered office:

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

Independent non-executive Directors:

Mr. Gu Yao Tian
Mr. Sun Ka Ziang Henry
Mr. Li Xinzhong

Principal place of business in Hong Kong:

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

14 August 2008

To the Shareholders

Dear Sir or Madam,

**DISCLOSEABLE AND CONNECTED TRANSACTION
IN RESPECT OF THE ACQUISITION OF A 20% EQUITY INTEREST IN
ZHONGWEI BUS**

AND

**CONNECTED TRANSACTION
INVOLVING PROPOSED ISSUE OF ZERO COUPON CONVERTIBLE BONDS
DUE 2013**

INTRODUCTION

On 24 July 2008, the Board announced that the Purchaser, being a wholly-owned subsidiary of the Company (as purchaser) and the Vendor (as vendor) entered into the Acquisition Agreement pursuant to which the Purchaser shall purchase from the Vendor a 20% equity interest in Zhongwei Bus. Further, on 24 July 2008, Zhong Da (BVI) Limited and the Company entered into the Subscription Agreement to subscribe for the Convertible Bonds.

* For identification purpose only

LETTER FROM THE BOARD

The purpose of this circular is to provide you with, among other things, (i) further information regarding the Acquisition and the Subscription; (ii) the recommendation from the Independent Board Committee in respect of the Acquisition and the Subscription; (iii) the recommendation from AsiaVest Partners to the Independent Board Committee and the Independent Shareholders in respect of the Acquisition and the Subscription; and (iv) a notice convening the SGM.

ACQUISITION AGREEMENT

a. Date: 24 July 2008

b. Parties:

(i) 鹽城奧申工業裝備製造有限公司 (Yancheng Aoshen Industrial Equipment Manufacturing Co., Ltd.*), a wholly-owned subsidiary of the Company, as purchaser; and

(ii) 中大工業集團公司 (Zhongda Industrial Group Corporation), as vendor.

c. Subject matter:

The Vendor has agreed to transfer a 20% equity interest in Zhongwei Bus to the Purchaser subject to the terms and conditions of the Acquisition Agreement. The Equity Interests shall be free from potential and actual rights disputes or title defects in connection therewith, and free from any third party's rights and interests, pledge, and other legal restraints on the registration of equity transfer.

Zhongwei Bus is a 65% owned subsidiary of the Vendor. The registered capital of Zhongwei Bus is RMB92,300,000, as to 65% was contributed by the Vendor.

d. Consideration:

The consideration for the Acquisition is RMB18,460,000 (equivalent to approximately HK\$21,000,000) which was determined after arm's length negotiations between the parties with reference to the lower of 20% of the paid-up capital or the appraised value of the entire equity interest in Zhongwei Bus as at the Valuation Date of approximately HK\$162 million calculated based on discounted cashflow method as shown in the Appraisal Report conducted by the HK Appraiser, which is a third party independent of the Group and the connected persons of the Group.

The consideration will be payable by the Purchaser on the Completion Date of Acquisition and satisfied by the Purchaser entirely in cash, which is expected to be funded by internal resources of the Group.

LETTER FROM THE BOARD

e. Condition precedents:

Completion of the Acquisition Agreement is conditional upon, amongst other things, the fulfillment or waiver of the following conditions on or before 31 December 2008, or such other date as the parties to the Acquisition Agreement may agree:

- (i) the passing of resolutions of the board of directors and/or the shareholders of the Vendor approving the transfer of the Equity Interests as required by its articles of association;
- (ii) the passing of resolutions of the board of directors and/or the shareholders of the Purchaser approving the purchase of the Equity Interests as required by its articles of association;
- (iii) the waiver of pre-emptive rights from the remaining shareholder of Zhongwei Bus in respect of the transfer of the Equity Interests having been obtained;
- (iv) the change in shareholders of Zhongwei Bus as a result of the transfer of the Equity Interests having been properly filed, approved and/or registered with all PRC government authorities, and Zhongwei Bus having received the business licence showing the Purchaser as a 20% shareholder in Zhongwei Bus;
- (v) the production of a PRC legal opinion issued by a PRC legal counsels (in all respects acceptable to the Company) confirming that the Acquisition complies with the articles of association of the Vendor, the Purchaser and Zhongwei Bus and all applicable PRC laws and regulations, and all necessary consents, and approvals from and notices to any PRC governmental authorities in connection therewith having been obtained;
- (vi) the approval by the Independent Shareholders at the SGM of the Acquisition; and
- (vii) the Company being satisfied with the results of the due diligence investigation through an independent Hong Kong Certified Public Accountants firm into the affairs of Zhongwei Bus.

The Acquisition Agreement shall terminate if such condition is not satisfied or waived on or before 31 December 2008 or such other date as agreed by the parties to the Acquisition Agreement in writing.

Maxgo C.P.A. Limited has been appointed the independent auditor of the Company in respect to the Acquisition. As at the Latest Practicable Date, the Company had received the due diligence report, as referred in the condition (vii) above, from Maxgo C.P.A. Limited.

f. Completion:

Completion of the Acquisition Agreement will take place on the Completion Date of Acquisition which will fall on or before the 15th Business Day following the satisfaction or waiver of the conditions set out therein.

LETTER FROM THE BOARD

Upon completion of the Acquisition Agreement, the Company will be interested in a 20% equity interest in Zhongwei Bus, and Zhongwei Bus will be accounted for as an associated company of the Company.

Financial information of Zhongwei Bus

The following table sets out the audited net asset value of Zhongwei Bus as at 31 December 2007 and its net profit before and after taxation for the two financial years ended 31 December 2007 according to the audited financial statements of Zhongwei Bus based on PRC GAAP for the two years ended 31 December 2007:

	As at 31 December 2007 (RMB)	
Net asset value of Zhongwei Bus	214,418,000	
	For the year ended 31 December 2006 (RMB)	For the year ended 31 December 2007 (RMB)
Net profit attributable to the 20% equity interest in Zhongwei Bus before the taxation and extraordinary items (<i>Note 1</i>)	3,442,000	3,512,000
Net profit attributable to the 20% equity interest in Zhongwei Bus after the taxation and extraordinary items (<i>Note 2</i>)	2,306,000	2,353,148

Note 1: The net profit attributable to the entire equity interest in Zhongwei Bus before the taxation and extraordinary items for the year ended 31 December 2006 and 31 December 2007 based on PRC GAAP are approximately RMB17,210,000 and RMB17,561,000, respectively.

Note 2: The net profit attributable to the entire equity interest in Zhongwei Bus after the taxation and extraordinary items for the year ended 31 December 2006 and 31 December 2007 based on PRC GAAP are approximately RMB11,530,000 and RMB11,766,000, respectively.

SUBSCRIPTION AGREEMENT

a. Date: 24 July 2008

b. Parties:

- (i) Zhong Da (BVI) Limited, the substantial shareholder of the Company, as subscriber. Zhong Da (BVI) Limited is beneficially owned as to 57.22% and 42.78% by Mr. Xu Lian Guo and Mr. Xu Lian Kuan, respectively, both of whom are Directors; and

LETTER FROM THE BOARD

(ii) the Company, as issuer.

c. Subject matter:

Zhong Da (BVI) Limited agrees to subscribe for the Convertible Bonds in the principal amount of HK\$21,000,000 for general working capital of the Group.

Principal terms of the Convertible Bonds

The principal terms of the Convertible Bonds are summarized as follows:

Issuer:	the Company
Principal Amount:	HK\$21,000,000
Interest:	Zero coupon
Conversion period:	Bondholder(s) may exercise their conversion rights at any time during the period commencing from the expiry of the 6th month of the date of issue of the Convertible Bonds up to the date 7 days before and excluding the Maturity Date.
Conversion Price:	HK\$0.84 per Conversion Share
Conversion Shares:	If the Convertible Bonds are fully converted at the Conversion Price of HK\$0.84 each, there will be 25,000,000 Conversion Shares.
Ranking of Conversion Shares:	Conversion Shares will rank pari passu in all respects with the Shares then in issue on the relevant conversion date other than in respect of any dividends, entitlements or distributions, the record date for which falls prior to such conversion date.
Redemption at option of the Company:	At any time prior to the Maturity Date, the Company may, having giving not less than 30 nor more than 60 days' notice to the bondholders, redeem all or, from time to time, some only of the Convertible Bonds at a redemption price equal to 115% of the outstanding principal amount of the Convertible Bonds.

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Redemption for change of control:	Following the occurrence of a change in control of the Company (as specified in the document governing the Convertible Bonds issue), each bondholder will have the right at such bondholder's option, to require the Company to redeem in whole but not in part such holder's Convertible Bonds.
Maturity:	Unless previously redeemed, converted or purchased and cancelled, each Convertible Bond shall be redeemed at their principal amount on the Maturity Date.
Voting rights:	Bondholders will not have any right to attend or vote in any meeting of the Company by virtue of their being bondholders.
Transferability:	Convertible Bonds may not be transferable without the prior written consent of the Company.
Application for listing:	Application has been made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in the Conversion Shares which may be issued under the Convertible Bonds. However, no application will be made for the listing of the Convertible Bonds on the Stock Exchange or any other stock exchange.

The exercise price for the Conversion Shares is HK\$0.84 per Share, which has been determined by the parties with reference to the net asset value per Share, the recent Share price and future prospects of the Group and represents:

- a premium of approximately 252.9% to the closing price of HK\$0.238 per Share as quoted on the Stock Exchange on the Last Trading Date;
- a premium of approximately 245.7% to the average closing price of HK\$0.243 per Share for the five consecutive trading days up to and including the Last Trading Date;
- a premium of approximately 237.4% to the average closing price of HK\$0.249 per Share for the ten consecutive trading days up to and including the Last Trading Date; and
- a premium of approximately 1.15 times of the audited consolidated net asset value per Share as at 31 December 2007 of approximately HK\$0.73.

LETTER FROM THE BOARD

Given the 5-year tenure of the Convertible Bonds, and the enhancement in the net asset value per Share upon completion of the Subscription, the Directors consider the Conversion Price to be fair and reasonable as far as the Company and the Independent Shareholders are concerned.

As at the Latest Practicable Date, the 25,000,000 Conversion Shares to be issued under the Convertible Bonds represent approximately 4.7% of the existing issued share capital of the Company and approximately 4.5% of the issued share capital of the Company immediately upon completion of the Subscription and assuming full conversion of the Conversion Shares (and that there are no changes other than those contemplated in the Subscription Agreement) respectively.

The bondholder(s) will comply with the requirements under the Code on Takeovers and Mergers upon the exercise of the conversion rights attached to the Convertible Bonds. Notwithstanding the conversion rights attached to the Convertible Bonds, the bondholder(s) will not exercise the Convertible Bonds and the Company shall not issue any Shares if, upon such issue, the public float of the Company will fall below 25% of its total issued share capital.

Condition precedents

Completion of the Subscription Agreement is conditional upon, amongst other things, the fulfillment or waiver of the following conditions on or before 31 December 2008, or such other date as the parties to the Subscription Agreement may agree:

- (i) the approval by the Independent Shareholders at the SGM of the Subscription and the issue of the Convertible Bonds and the allotment and issue of the Conversion Shares upon the exercise of the conversion rights attaching to the Convertible Bonds;
- (ii) the listing committee of the Stock Exchange granting the listing of, and the permission to deal in, the Conversion Shares upon the exercise of the conversion rights attaching to the Convertible Bonds;
- (iii) the issue and subscription of the Convertible Bonds not being prohibited by any statute, order, rule, regulation or directive promulgated or issued after the date of the Subscription Agreement by any legislative, executive or regulatory body or authority of Hong Kong or elsewhere which is applicable to the Company or Zhong Da (BVI) Limited;
- (iv) the Acquisition having been completed; and
- (v) the representations and warranties of the Company being true, accurate and correct in a material respect as if made on the completion date of the Subscription Agreement, with reference to the then existing circumstances and the Company having performed in all material respects all of its obligations under the Subscription Agreement which are required hereunder to be performed on or before the completion date of the Subscription Agreement.

LETTER FROM THE BOARD

Completion

Completion of the Subscription Agreement will take place on or before the 15th Business Day following the satisfaction or waiver of the conditions set out therein.

SHAREHOLDING STRUCTURE

As at the Latest Practicable Date, the shareholding structure of the Company before and immediately after completion of the Subscription and assuming full conversion of the Convertible Bonds (and that there are no changes other than those contemplated in the Subscription Agreement) is as follows:

Name of Shareholder	Existing shareholding structure		Upon completion and assuming full conversion of the Convertible Bonds (Note 1)	
	No of Shares	%	No of Shares	%
Zhong Da (BVI) Limited (note 1)	204,004,000	38.5%	229,004,000	41.3%
Shum Yip Holdings Company Limited	39,576,000	7.5%	39,576,000	7.1%
Penta Investment Advisers Limited	96,024,000	18.1%	96,024,000	17.3%
L-R Global Partners, L.P.	26,606,000	5.0%	26,606,000	4.8%
Public	<u>163,414,200</u>	<u>30.9%</u>	<u>163,414,200</u>	<u>29.5%</u>
	<u>529,624,200</u>	<u>100.0%</u>	<u>554,624,200</u>	<u>100.0%</u>

Note:

1. The bondholders will comply with the requirements under the Code on Takeovers and Mergers upon the exercise of the conversion rights attached to the Convertible Bonds. There is a restriction in the Convertible Bonds whereby the bondholders cannot exercise their conversion rights under the Convertible Bonds such that the 25% public float cannot be met by the Company following such conversion.

Shareholders should be aware of the dilution effect to their shareholding upon the issue of the Conversion Shares upon conversion of the Convertible Bonds.

LETTER FROM THE BOARD

IMPLICATIONS UNDER THE LISTING RULES

Discloseable transaction

As some of the applicable ratios of the Acquisition exceed 5% but are less than 25%, the Acquisition constitutes a discloseable transaction for the purposes of, and is subject to the reporting and announcement requirements under, Chapter 14 of the Listing Rules.

Connected transactions

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, the Directors and substantial shareholders of the Company. As such, the Vendor is a connected person of the Company as defined under the Listing Rules. Therefore, the transactions contemplated under each of the Acquisition Agreement and the Subscription Agreement, namely the proposed acquisition by the Purchaser of the Equity Interests and the Subscription by, and the issue of the Convertible Bonds to, Zhong Da (BVI) Limited, constitute connected transactions of the Company for the purposes of Chapter 14A of the Listing Rules. Each of the Acquisition and the Subscription is therefore subject to the reporting, announcement and independent shareholders' approval requirements set out in Chapter 14A of the Listing Rules.

Board's view and Independent Shareholders' approval

The Directors (including the independent non-executive Directors) believe that the transactions under each of the Acquisition Agreement and the Subscription Agreement are on normal commercial terms, which are fair and reasonable and in the interests of the Shareholders as a whole. As each of the Acquisition and the Subscription is subject to Independent Shareholders' approval, a SGM will be convened for the Independent Shareholders to consider and, if thought fit, approve the Acquisition, the Subscription and the issue of Convertible Bonds. Votes for the resolutions at the SGM shall be taken by way of poll. The poll results will be published after the SGM.

Tanrich Capital has been appointed the financial adviser to the Company to advise the Board regarding the Acquisition and the Subscription.

The Independent Board Committee comprising all the independent non-executive Directors (being Mr. Gu Yao Tian, Mr. Sun Ka Ziang Henry and Mr. Li Xinzhong) has been established to advise the Independent Shareholders regarding the Acquisition and the Subscription. AsiaVest Partners was appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders regarding the Acquisition and the Subscription.

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. As Mr. Xu Lian Guo, Mr. Xu Lian Kuan and Mr. Zhang Yuqing, the Directors, are also directors of Zhongda Industrial Group, each of Mr. Xu Lian Guo, Mr. Xu Lian Kuan and

LETTER FROM THE BOARD

Mr. Zhang Yuqing is required to abstain from voting in respect of the Acquisition. Meanwhile, each of Mr. Xu Lian Guo and Mr. Xu Lian Kuan is required to abstain from voting in respect of the Subscription. Mr. Xu Lian Guo, Mr. Xu Lian Kuan and Mr. Zhang Yuqing and their respective associates shall abstain from voting in respect of their shareholding at the SGM regarding the Acquisition and/or the Subscription (as the case may be).

REASONS FOR THE ACQUISITION AND THE SUBSCRIPTION AND BENEFITS EXPECTED TO ACCRUE TO THE GROUP

The Board is of the view that the Acquisition would enhance the revenue stream of the Group. The Group has diversified into bus manufacturing by acquiring Nanjing Zhongda Jinling Double-decker Bus Manufacture Co. Ltd. in year 2004. The purchase of 20% equity interest in Zhongwei Bus could allow the Group to enter into the coach manufacturing business. It would further diversify the Group's business. The coach-making sector in the PRC has been growing tremendously during the past few years especially in the export business. According to industry analysis, the PRC has exported 42,500 units of medium to large coaches during year 2007 amounting to US\$910 million. It represents a growth of 229.10% compared with last year. It is expected that Zhongwei Bus would be benefited from the booming business.

The Board considers that the Acquisition will (a) enhance the earnings and net asset value of the Group as Zhongwei Bus will become an associated company of the Group; and (b) provide the Group with a business diversification opportunity into the coach manufacturing business in the PRC after the Completion Date of Acquisition.

The Board is of the view that the Subscription would enable the Company to raise about HK\$21,000,000 for general working capital of the Group and increase the cash flow of the Group. The Board considers that the Subscription will provide (a) the Company with immediate funding in a more cost efficient manner than debt financing; and (b) the Convertible Bonds are non-interest bearing and therefore do not have any immediate negative impact on the working capital condition of the Group.

The Conversion Shares which fall to be allotted and issued to Zhong Da (BVI) Limited, the existing largest substantial shareholder of the Company, upon exercise of the conversion rights attached to the Convertible Bonds will have dilutive effect on the existing shareholding base of the Company. However, the Directors consider that such dilution effect does not have any material impact on the shareholding of the Shareholders because (a) the Conversion Shares will increase the substantial shareholder's support to the Company; and (b) the shareholding of the existing public Shareholders will be diluted by a maximum of approximately 2% only.

LETTER FROM THE BOARD

FINANCIAL IMPACT OF THE ACQUISITION AND THE SUBSCRIPTION

Effect on assets and liabilities

Upon completion of the Acquisition, Zhongwei Bus will become an associated company of the Group and its results will be equity accounted for in the financial statements of the Group, which means that 20% of the profit after tax of Zhongwei Bus will be reported underneath the item named "Shares of profits of associates" in the consolidated profit and loss account of the Group and 20% of the net asset value of Zhongwei Bus will be reported underneath the item named "Interests in associates" in the consolidated balance sheet of the Group respectively.

The cash consideration for the Acquisition of RMB18,460,000 (equivalent to approximately HK\$21,000,000) payable by the Purchaser by way of internal resources of the Group shall be met by the proceeds of the Subscription in the amount of HK\$21,000,000. As a result, the cashflow position of the Group immediately after the Acquisition and the Subscription will be intact. The Directors do not expect to derive any material gain or loss from the Acquisition as the consideration was based on 20% of the paid-up capital of Zhongwei Bus.

The Subscription will strengthen the capital base of the Company. The Convertible Bonds will be presented under the non-current liabilities in the consolidated balance sheet of the Group. The net gearing ratio of the Group shall be increased from approximately 0.23x in the year 2007 to approximately 0.26x.

Effect on earnings

Following completion of the Acquisition, Zhongwei Bus will be accounted for as a 20% associated company and therefore it is expected that there will likely be positive effect on the earnings of the Group.

The Convertible Bonds will have dilutive effective on the earnings per Share of the Company. Given the Conversion Shares are fully converted upon exercise of the conversion rights attached to the Convertible Bonds, the diluted earnings per Share shall be reduced from approximately RMB 6.14 cents in the year 2007 to approximately RMB 5.8 cents.

INFORMATION OF THE GROUP

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 also been diversifying into the manufacturing of commercial vehicles.

The Purchaser is a wholly foreign owned enterprise established in the PRC and is principally engaged in the manufacture and sale of automobile equipment.

LETTER FROM THE BOARD

INFORMATION OF THE VENDOR

The Vendor is a joint stock company with limited liability established in the PRC, which focuses its operation in the manufacture and sale of automobiles and providing steel structure design.

INFORMATION OF ZHONGWEI BUS

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. Its annual production capacity can be up to a maximum of 5,000 units coaches and buses. All the vehicles produced by Zhongwei Bus comply with Euro III or IV standards as required by the PRC Government for environmental protection.

INFORMATION OF ZHONG DA (BVI) LIMITED

Zhong Da (BVI) Limited is a limited liability company incorporated in the British Virgin Islands. It is principally engaged in investment holding.

SGM

The notice convening the SGM to be held on Monday, 1 September 2008 at Plaza I, Novotel Century Hong Kong Hotel, 238 Jaffe Road, Wanchai, Hong Kong at 3:00 p.m. is set out on pages 40 to 42 of this circular. At the SGM, ordinary resolution(s) will be proposed to approve the Acquisition and the Subscription.

A form of proxy for use at the SGM is enclosed. Whether or not you are able to attend the meeting, you are requested to complete and return the form of proxy in accordance with the instructions printed thereon to the principal place of business of the Company in Hong Kong at 1609, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting and any adjourned meeting (as the case may be) should you so wish.

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

LETTER FROM THE BOARD

- (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.

RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee set out on pages 18 to 19 of this circular which contains its recommendation to the Independent Shareholders on the Acquisition and the Subscription. Your attention is also drawn to the letter of advice received from AsiaVest Partners which contains, amongst other matters, its advice to the Independent Board Committee and the Independent Shareholders in relation to the Acquisition and the Subscription and the principal factors and reasons considered by it in concluding its advice. The letter from AsiaVest Partners is set out on pages 20 to 33 of this circular. The Board considers that the terms of the Acquisition Agreement and the Subscription Agreement are on normal commercial terms, fair and reasonable and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Independent Shareholders to vote in favour of the relevant ordinary resolution(s) to be proposed at the SGM to approve the Acquisition and the Subscription.

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

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

14 August 2008

To the Independent Shareholders

Dear Sir or Madam,

**DISCLOSEABLE AND CONNECTED TRANSACTION
IN RESPECT OF THE ACQUISITION OF A 20% EQUITY INTEREST IN
ZHONGWEI BUS
AND
CONNECTED TRANSACTION
INVOLVING PROPOSED ISSUE OF ZERO COUPON CONVERTIBLE BONDS
DUE 2013**

We refer to the circular of the Company to the Shareholders dated 14 August 2008 (the “**Circular**”), in which this letter forms a part. Unless the context requires otherwise, capitalized terms used in this letter will have the same meanings given to them in the section headed “Definitions” of the Circular.

We have been authorised by the Board to form the Independent Board Committee to advise the Independent Shareholders on whether the terms of the Acquisition Agreement and the Subscription Agreement are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole.

We wish to draw your attention to the letter of advice from AsiaVest Partners as set out on pages 20 to 33 of the Circular and the letter from the Board as set out on pages 5 to 17 of the Circular.

* *For identification purpose only*

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having considered, among other matters, the factors and reasons considered by, and the opinion of AsiaVest Partners as stated in its letter of advice, we consider that the terms of the Acquisition Agreement and the Subscription Agreement are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole and accordingly recommend the Independent Shareholders to vote in favour of the ordinary resolution(s) in relation to the Acquisition and the Subscription to be proposed at the SGM.

Yours faithfully,
For and on behalf of 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*

LETTER FROM ASIAVEST PARTNERS

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

AsiaVest Partners

AsiaVest Partners Limited

Room 2605, Universal Trade Centre
3 Arbuthnot Road, Central
Hong Kong

14 August 2008

To the Independent Board Committee and
the Independent Shareholders
Zhongda International Holdings Limited

Dear Sirs,

**DISCLOSEABLE AND CONNECTED TRANSACTION
IN RESPECT OF THE ACQUISITION OF A 20% EQUITY INTEREST IN
ZHONGWEI BUS**

AND

**CONNECTED TRANSACTION
INVOLVING PROPOSED ISSUE OF ZERO COUPON CONVERTIBLE BONDS
DUE 2013**

INTRODUCTION

We refer to our engagement to advise the Independent Board Committee and the Independent Shareholders in respect of (1) the Acquisition Agreement and (2) the Subscription Agreement, details of which are set out in the letter from the Board (the “**Letter from the Board**”) of this circular to the Shareholders dated 14 August 2008 (the “**Circular**”), of which this letter forms part. 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.

On 24 July 2008, the Purchaser, a wholly-owned subsidiary of the Company (as Purchaser) and the Vendor (as Vendor) entered into the Acquisition Agreement pursuant to which the Purchaser shall purchase from the Vendor a 20% equity interest in Zhongwei Bus. The consideration of the Acquisition (the “**Consideration**”) shall be satisfied by the Purchaser entirely in cash, which is expected to be funded by internal resources of the Group.

On 24 July 2008, Zhong Da (BVI) Limited, the substantial shareholder of the Company, and the Company also entered into the Subscription Agreement to subscribe for the Convertible Bonds in the principal amount of HK\$21,000,000 for general working capital of the Group.

LETTER FROM ASIAVEST PARTNERS

Zhongwei Bus is owned as to 65% by the Vendor. The Vendor is controlled by both Mr. Xu Lian Guo and Mr. Xu Lian Kuan, the Directors and substantial shareholders of the Company. As such, the Vendor is a connected person of the Company as defined under the Listing Rules. Therefore, the transactions contemplated under each of the Acquisition Agreement and the Subscription Agreement, namely the proposed acquisition by the Purchaser of the Equity Interests and the Subscription by, and the issue of the Convertible Bonds to, Zhong Da (BVI) Limited, constitute connected transactions of the Company for the purposes of Chapter 14A of the Listing Rules. Each of the Acquisition and the Subscription is therefore subject to the reporting, announcement and independent shareholders' approval requirements set out in Chapter 14A of the Listing Rules.

As the applicable ratios of each of the Acquisition and the Subscription exceed 5% but are less than 25%, each of the Acquisition and the Subscription constitutes a discloseable transaction for the purposes of, and is subject to the reporting and announcement requirements under, Chapter 14 of the Listing Rules.

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. As Mr. Xu Lian Guo, Mr. Xu Lian Kuan and Mr. Zhang Yuqing, the Directors, are also directors of the Vendor, each of Mr. Xu Lian Guo, Mr. Xu Lian Kuan and Mr. Zhang Yuqing is required to abstain from voting in respect of the Acquisition. Meanwhile, each of Mr. Xu Lian Guo and Mr. Xu Lian Kuan is required to abstain from voting in respect of the Subscription. Mr. Xu Lian Guo, Mr. Xu Lian Kuan and Mr. Zhang Yuqing and their respective associates shall abstain from voting in respect of their shareholding at the SGM regarding the Acquisition and/or the Subscription (as the case may be).

Accordingly, the Independent Board Committee has been established to advise whether the respective terms and conditions of the Acquisition and the Subscription are fair and reasonable and whether the Acquisition and the Subscription are in the interests of the Company and the Shareholders as a whole. In this regard, AsiaVest has been appointed as the independent financial adviser to the Independent Board Committee and the Independent Shareholders.

BASIS OF OUR OPINION AND RECOMMENDATION

In forming our opinion and recommendation, we have relied on the information, facts and representations contained or referred to in the Circular and the information, facts and representations provided by, and the opinions expressed by the Directors, management of the Company and its subsidiaries. We have assumed that all information, facts, opinions and representations made or referred to in the Circular were true, accurate and complete at the time they were made and continued to be true, accurate and complete as at the date of the Circular and that all expectations and intentions of the Directors, management of the Company and its subsidiaries, will be met or carried out as the case may be. We have no reason to doubt the truth, accuracy and completeness of the information, facts, opinions and representations provided to us by the Directors, management of the Company and its subsidiaries. The Directors have confirmed to us that no material facts have been omitted

LETTER FROM ASIAVEST PARTNERS

from the information supplied and opinions expressed. We have no reason to doubt that any relevant material facts have been withheld or omitted from the information provided and referred to in the Circular or the reasonableness of the opinions and representations provided to us by the Directors, management of the Company and its subsidiaries.

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, 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 statement in the Circular misleading. We have relied on such information and opinions and have not, however, conducted any independent verification of the information provided, nor have we carried out any independent investigation into the business, financial conditions and affairs of the Group or its future prospect.

This letter is issued for the information for the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the Acquisition Agreement and transactions contemplated thereunder and the Subscription Agreement and transactions contemplated thereunder and, except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

THE ACQUISITION AGREEMENT AND THE SUBSCRIPTION AGREEMENT

In arriving at our opinion and recommendation to the Independent Board Committee and Independent Shareholders in relation to (i) the Acquisition Agreement; and (ii) the Subscription Agreement, we have considered the principal factors and reasons set out below:

1.1 Background and reasons for the Acquisition

Background of the Group

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 Purchaser, 鹽城奧申工業裝備製造有限公司 (Yancheng Aoshen Industrial Equipment Manufacturing Co., Ltd.), a wholly-owned subsidiary of the Company. It is principally engaged in the manufacture and sale of automobile equipment.

LETTER FROM ASIAVEST PARTNERS

Set out below is the financial summary of the Group extracted from the Annual Report of the Group:

	Year ended	
	31 December	
	2007	2006
	RMB'000	RMB'000
	(Audited)	(Audited)
Turnover	325,472	190,736
Gross profit	71,163	60,813
(Loss)/ profit for the year	<u>40,514</u>	<u>12,898</u>

For the year ended 2007, the Group's turnover recorded a substantial growth by 70.6% to approximately RMB325 million. Net profit recorded a substantial growth by 214.1% to approximately RMB40 million. The improvement in the results were attributable to (i) the commencement of revenue stemming from Nanjing Zhongda Jinling Double-Decker Bus Manufacture Co., Ltd. since April 2007, and (ii) the contribution of revenue from Yancheng Zhongda Automobiles Equipment Co. Ltd., the new subsidiary of the Group which is engaged in the trading of automobile spare parts.

As indicated in 2007 Annual Report of the Group, the Group has been diversifying into the manufacturing of commercial vehicles by investing into Nanjing Zhongda Jinling Double-decker Bus Manufacturing Co. Ltd. The Group has also invested in automobile manufacturing project in Vietnam.

Based on the segmental information as set out in the 2007 Annual Report of the Group, the revenue generated from the bus manufacturing segment represented approximately 19% (2006: Nil) of the total turnover of the Group. The results of the bus manufacturing segment also accounted for 10% (2006: Nil) of the Group net profit.

We are given the understanding that the automobile manufacturing business will be one of the key focuses of the Group's businesses at this moment and in the future.

Background of the Vendor

The Vendor, 中大工業集團公司 (Zhongda Industrial Group Corporation), a joint stock company with limited liability established under the laws of the PRC and is controlled by Mr. Xu Lian Guo and Mr. Xu Lian Kuan. It focuses its operation in the manufacture and sale of automobiles and providing steel structure design.

LETTER FROM ASIAVEST PARTNERS

Background of the Zhongwei Bus

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. Its annual production capacity can be up to a maximum of 5,000 units of coaches and buses. All the vehicles produced by Zhongwei Bus comply with Euro III or IV standards as required by the PRC Government for environmental protection.

Set out below is the financial summary of Zhongwei Bus as extracted from “Letter from the Board” to this Circular:

	As at 31 December 2007 (RMB)	
	For the year ended 31 December 2006 (RMB)	For the year ended 31 December 2007 (RMB)
Net asset value of Zhongwei Bus		214,418,000
Net profit attributable to the 20% equity interest in Zhongwei Bus before the taxation and extraordinary items (Note 1)	3,442,000	3,512,000
Net profit attributable to the 20% equity interest in Zhongwei Bus after the taxation and extraordinary items (Note 2)	2,306,000	2,353,148

Note 1: The net profit attributable to the entire equity interest in Zhongwei Bus before the taxation and extraordinary items for the year ended 31 December 2006 and 31 December 2007 based on PRC GAAP are approximately RMB17,210,000 and RMB17,561,000, respectively.

Note 2: The net profit attributable to the entire equity interest in Zhongwei Bus after the taxation and extraordinary items for the year ended 31 December 2006 and 31 December 2007 based on PRC GAAP are approximately RMB11,530,000 and RMB11,766,000, respectively.

LETTER FROM ASIAVEST PARTNERS

Reasons for and benefits of the Acquisition

As stated in the “Letter from the Board”, the Board is of the view that the Acquisition will enhance the earnings and net asset value of the Group as Zhongwei Bus will become an associated company of the Group; and provide the Group with a business diversification opportunity into the coach manufacturing business in the PRC after the Completion Date of Acquisition. The Group has diversified into bus manufacturing by acquiring Nanjing Zhongda Jinling Double-decker Bus Manufacture Co. Ltd. in 2004. The purchase of 20% equity interest in Zhongwei Bus could allow the Group to enter into the coach manufacturing business in addition to the worldwide distribution rights that the Company had secured earlier. Management would also wishes to further diversify the Group’s business. The coach-making sector in the PRC has been growing tremendously during the past few years especially in the export business. According to industry analysis, the PRC has exported 42,500 units of medium to large coaches during year 2007 amounting to US\$910 million. It represents a growth of 229.10% compared with last year. It is expected that Zhongwei Bus would be benefited from the booming business.

Based on the financial information of Zhongwei Bus together with the promising industrial outlook of the coach-making sector, the Directors trust that the purchase of 20% equity interest in Zhongwei Bus will generate more revenue income to the Group in the future.

Based on the foregoing, including (i) the growing coach-making market in the PRC; (ii) the expanding overseas coaches market; (iii) the growth in business operation as described in the historical financial performance of Zhongwei Bus; and (iv) the business of Zhongwei Bus being in line with the business strategy of the Group, we are of the view that the reasons for the Acquisition is fair and reasonable.

1.2 Basis of the consideration

As stated in the “Letter from the Board”, the Consideration is RMB18,460,000 (equivalent to approximately HK\$21,000,000) which was determined after arm’s length negotiations between the parties with reference to the lower of 20% of the paid-up capital or the appraised value of the entire equity interest in Zhongwei Bus as at the Valuation Date of HK\$162 million as shown in the Appraisal Report conducted by the HK Appraiser, which is a third party independent of the Group and the connected persons of the Group. As the appraised value is higher than the paid-up capital of Zhongwei Bus, the Consideration, therefore, represents 20% of the paid-up capital of Zhongwei Bus. The consideration will be satisfied by the Purchaser entirely in cash, which is expected to be funded by internal resources of the Group.

LETTER FROM ASIAVEST PARTNERS

In order to assess the fairness and reasonableness of the Consideration, we have identified, on a best effort basis, all listed companies in Hong Kong on the Main Board of the Stock Exchange which are engaged in the operation of manufacturing automobile in the PRC (together the “**Comparables**”) and we have, accordingly, compared the price-earning-ratio (“**PER**”) of the Comparables with the consideration for the Acquisition.

	Stock Code	Closing price as at the date of the Acquisition Agreement HK\$	Approximately historical earnings per share HK\$	Historical PER (Times)
Great Wall Motor Company Limited	2333	5.49	1.033	5.31
Denway Motors Limited	203	2.87	0.328	8.75
Qingling Motors Co. Ltd	1122	1.26	0.073	17.26
Sinotruk (Hong Kong) Limited	3808	7.94	0.806	9.85
Dongfeng Motor Group Company Limited	489	3.52	0.498	7.07
Brilliance China Automotive Holdings Limited	1114	0.92	0.030	30.67
Minimum				5.31
Maximum				30.67
Average				13.15
Implied PER of the Acquisition				7.84

Source: Stock Exchange’s website

Note: Where applicable, Renminbi is translated into Hong Kong dollar at an exchange rate HK\$1.00 = RMB0.879

As shown in the above table, the price-earnings ratio of the Comparables ranges from approximately 5.31 times to 30.67 times and the average price-earnings ratio of the Comparables is approximately 13.15 times. The price-earnings ratios in respect of the Acquisition for the 20% equity interest in Zhongwei Bus (i) is within the range of the price-earnings ratios of the Comparables; and (ii) is below the average price-earnings ratios of the Comparables. Based on the above, we are of the view that the Consideration paid for will be at a PER comparatively less expensive than other comparable transactions which were concluded at a higher ratio, and thus is fair and reasonable as the pricing is at a more favorable term for the Shareholders as a whole.

LETTER FROM ASIAVEST PARTNERS

1.3 Financial effects of the Acquisition

Net assets

According to the Letter from the Board, the net assets value of Zhongwei Bus is approximately RMB214,418,000 (equivalent to approximately HK\$243,921,000). The net assets value of Zhongwei Bus attributable to the Group's 20% equity interests would then be approximately RMB42,883,600 (equivalent to approximately HK\$48,784,200). As the Consideration will be paid by cash out of internal resources of the Company, a negative goodwill of approximately RMB24,423,600 will be reconciled in the balance sheet of the Group. Depending on the accounting treatment of the negative goodwill (which the Group has yet to determined), the net assets value of the Group will remain unchanged or increase to a maximum extent by RMB24,423,600.

Working Capital

Based on the financial position of the Group as at 31 December 2007, the payment of the Consideration will reduce the current ratio of the Group from approximately 1.25 times to approximately 1.20 times, which is in deed well above the Group's historical current ratios of approximately 0.97 times and approximately 0.96 times as at 31 December 2006 and 2007 respectively.

Earnings

The audited profit of the Group for the year ended 31 December 2007 was approximately RMB40,514,000. Accordingly to the Letter from the Board, the net profit attributable to the 20% equity interest in Zhongwei Bus after the taxation and extraordinary items was approximately RMB2,353,148 for the year ended 31 December 2007. In general, the Acquisition will therefore improve the earnings of the Group and improve the Group's profitability.

Based on the above analysis, we conclude that the Acquisition will have a positive impact on the net assets value and profitability of the Group while it has certain minor impact on the working capital of the Group, however, which is considered acceptable.

1.4 Our opinion on the Acquisition

Based on our analysis that (i) both the reasons for the Acquisition and the Consideration are fair and reasonable; and (ii) the financial effect to the Group is in general positive, we are of the opinion that the Acquisition is fair and reasonable and is in the interests of the Company and the Shareholders as a whole.

LETTER FROM ASIAVEST PARTNERS

2.1 Background and reasons for the issuance and Subscription of the Convertible Bonds

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 also been diversifying into the manufacturing of commercial vehicles.

The Board is of the view that the Subscription will provide (a) the Company with immediate funding in a more cost efficient manner than loan financing; and (b) the Convertible Bonds are non-interest bearing and therefore do not have any immediate negative impact on the working capital condition of the Group. As confirmed by the Directors, the Company has no other funding raising alternative other than the Subscription Agreement as at the Latest Practicable Date.

The use of the net proceeds from the issuance of the Convertible Bonds and possible conversion of the Convertible Bonds will enrich the liquidity position, capital base and Shareholders' base of the Group. The Company furthermore will remain financially flexible considering that the net proceeds of HK\$21,000,000 from the Subscription will be used to replenish the Group's existing working capital and used to pay for the Consideration. We are of the view that the reasons for and use of proceeds from the Subscription are fair and reasonable.

2.2 The Conversion Price

The exercise price for the Conversion Shares is HK\$0.84 per Share, which has been determined by the parties with reference to the net asset value per Share, the recent Share price and future prospects of the Group and represents:

- a premium of approximately 252.9% to the closing price of HK\$0.238 per Share as quoted on the Stock Exchange on the Last Trading Date;
- a premium of approximately 245.7% to the average closing price of HK\$0.243 per Share for the five consecutive trading days up to and including the Last Trading Date;
- a premium of approximately 237.4% to the average closing price of HK\$0.249 per Share for the ten consecutive trading days up to and including the Last Trading Date; and
- a premium of approximately 1.15 times of the audited consolidated net asset value per Share as at 31 December 2007 of approximately HK\$0.73.

To evaluate the fairness and reasonableness of the terms of the Convertible Bonds, we have identified and reviewed, on a best effort basis, all of the latest transactions involving the issue of convertible bonds/notes at a fixed price by companies listed on the Stock Exchange (the "**Comparable Issues**"). We have identified 12 Comparable Issues from 21 May 2008 to 24 July 2008, being approximately two months before the

LETTER FROM ASIAVEST PARTNERS

date of entering into the Subscription Agreement and are of the view that sufficient number of samples has been obtained to form the basis for a meaningful comparison. Details of Comparable Issues are set out below:

Company	Stock code	Date of announcement	Maturity <i>(in year)</i>	Interest rate <i>(%)</i>	Premium/ (discount) of conversion price to the average closing price as at the last trading days <i>(%)</i>	Premium/ (discount) of conversion price to the average closing price for the last five trading days <i>(%)</i>
Era Information & Entertainment Limited	8043	16 July 2008	5	1	2.94	(2.51)
Golife Concepts Holdings Limited	8172	9 July 2008	3	0	(37.5)	(42.9)
China Sciences Conservational Power Limited	351	4 July 2008	2	2	(93.06)	(92.96)
China Sci-Tech Holdings Limited	985	3 July 2008	3	0	47.06	41.24
Gay Giano International Group Limited	686	10 June 2008	3	2	(23.31)	(8.41)
Fast Systems Technology (Holdings) Limited	8150	5 June 2008	5	0	(93.33)	(93.83)
Golife Concepts Holdings Limited	8172	4 June 2008	1 to 3	2	(19.35)	(22.36)
Fulbond Holdings Limited	1041	3 June 2008	5	6	7.5	6.2
China Conservational Power Holdings Limited	290	30 May 2008	3	0	(67.21)	(67.85)
Info Communication Holdings Limited	8082	27 May 2008	5	8	(55.71)	(54.01)
Kai Yuan Holdings Limited	1215	27 May 2008	2	3.5	1.72	0
Emcom International Limited	8220	21 May 2008	3	0	(88.60)	(87.70)
Maximum			5	8	47.06	41.24
Minimum			1	0	(93.33)	(93.83)
Average					(34.90)	(35.45)
The Company		24 July 2008	5	0	252.9	245.7

Source: Stock Exchange's website

LETTER FROM ASIAVEST PARTNERS

We note from the table above that conversion price of the Comparable Issues ranged from a discount of approximately 93.33% to a premium of approximately 47.06% to the respective closing price as at the last trading days prior to the release of the relevant announcements with an average discount of approximately 34.90%. The exercise price for the Conversion Shares, which represented a premium of approximately 252.9% to the closing price of the Shares as quoted on the Last Trading Date, hence is much better than the said market range of the Comparable Issues. We considered that exercise price for the Conversion Shares is fair and reasonable and is in the interests of the Company and the Shareholders as a whole.

The Convertible Bonds have a maturity of five years whereas the terms to maturity of the Comparable Issues ranged from one year to five years. The term to the maturity of the Convertible Bonds falls within the said market range and we are of the view that it is in line with the normal market practice.

The interest rates of the Comparable Issues ranged from nil to 8% per annum. Taken into account the Convertible Bonds carry no interest, we are of the view that the interest rate of the Convertible Bonds is fair and reasonable so far as the Company and the Independent Shareholders are concerned and is in the interest of the Company and the Independent Shareholders as a whole.

According to the analysis as stated above, we are of the view that the terms of the Convertible Bonds are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

2.3 Dilution of the shareholding interests in the Company

On the basis that the Convertible Bonds are fully converted into the Conversion Shares within the conversion period by the bondholder(s), 25,000,000 Conversion Shares will be issued by the Company to the bondholder(s). The 25,000,000 Conversion Shares to be issued under the Convertible Bonds represent approximately 4.7% of the existing issued share capital of the Company and approximately 4.5% of the issued share capital of the Company immediately upon completion of the Subscription and assuming full conversion of the Conversion Shares (and that there are no changes other than those contemplated in the Subscription Agreement) respectively.

LETTER FROM ASIAVEST PARTNERS

Set out below is the shareholding structure of the Company before and immediately after completion of the Subscription and assuming full conversion of the Convertible Bonds (and that there are no changes other than those contemplated in the Subscription Agreement):

Name of Shareholder	Existing shareholding structure as at the Latest Practicable Date		Upon completion and assuming full conversion of the Convertible Bonds	
	<i>No of Shares</i>	<i>%</i>	<i>No of Shares</i>	<i>%</i>
Zhong Da (BVI) Limited <i>(note 1)</i>	204,004,000	38.5%	229,004,000	41.3%
Penta Investment Advisers Limited	96,024,000	18.1%	96,024,000	17.3%
Public Shareholders				
Shum Yip Holdings Company Limited	39,576,000	7.5%	39,576,000	7.1%
L-R Global Partners, L.P.	26,606,000	5.0%	26,606,000	4.8%
Others	<u>163,414,200</u>	<u>30.9%</u>	<u>163,414,200</u>	<u>29.5%</u>
 Sub-total	 229,596,200	 43.4%	 229,596,200	 41.4%
 Total	 <u>529,624,200</u>	 <u>100.0%</u>	 <u>554,624,200</u>	 <u>100.0%</u>

Note: The bondholders will comply with the requirements under the Code on Takeovers and Mergers upon the exercise of the conversion rights attached to the Convertible Bonds. There is a restriction in the Convertible Bonds whereby the bondholders cannot exercise their conversion rights under the Convertible Bonds such that the 25% public float cannot be met by the Company following such conversion.

As at the Latest Practicable Date, Zhong Da (BVI) Limited and its associates are currently interested in an aggregate of 204,004,000 Shares, representing approximately 38.5% of the existing issued share capital of the Company. Immediately after the issue of the Conversion Shares and, upon completion and assuming full conversion of the Convertible Bonds, Zhong Da (BVI) Limited and its associates will be interested in 229,004,000 Shares, representing approximately 41.3% of the enlarged issued share capital of the Company.

On this basis, the interest of the existing public Shareholders will be diluted from approximately 43.4% (as at the Latest Practicable Date) to approximately 41.4% of the enlarged issued share capital of the Company following the issue of the Conversion Shares. Accordingly, the shareholding interest of the existing public Shareholders, will as a result of the issue of the Conversion Shares, be diluted by approximately 2%.

Taking into account the other reasons and factors set out in this letter, in particular, the conversion price for the Conversion Shares is (i) a huge premium to the closing price of the Shares as at 24 July 2008 (the last trading day before the announcement); (ii) at a premium over the net asset per Share; (iii) the liquidity of the

LETTER FROM ASIAVEST PARTNERS

Shares on the Stock Exchange and the possible effects on the Group and the Shareholders as a result of the Acquisition, we are of the view that the slight dilution effect to the existing public Shareholders as a result of issuing Conversion Shares is acceptable.

2.3 Financial effects of the Subscription

Net assets

Upon issuance of the Convertible Bonds, there will be (i) an increase in total assets arising from the receipt of the net proceeds from the issuance of the Convertible Bonds, (ii) an increase in total liabilities and total equities arising from the actual fair value of the liability portion of the Convertible Bonds and corresponding residual amount assigned as equity portion of the Convertible Bonds respectively and thus there will be an increase on the net tangible assets of the Group.

Upon full conversion of the Convertible Bonds, there will be a decrease on the then total liabilities of the Group immediately after the issue of Conversion Shares and an increase on the then total equities of the Group arising from the issue and allotment of the Conversion Shares, which will further increase the net tangible assets of the Group.

Working capital

As stated in the “Letter from the Board” in the Circular, the Subscription would enable the Company to raise about HK\$21,000,000 for general working capital of the Group and cash flow of the Group and thus the working capital of the Company will be increased.

Based on the foregoing, the issue of the Convertible Bonds will improve the net assets value and working capital position of the Group.

Effect on earnings

The Convertible Bonds will have dilutive effect on the earnings per Share of the Company upon conversion. Given the Conversion Shares are fully converted upon exercise of the conversion rights attached to the Convertible Bonds, the diluted earnings per Share shall be reduced from approximately RMB6.14 cents in the year 2007 to approximately RMB5.8 cents.

2.4 Our opinion on the Subscription

Based on our analysis that (i) the reasons for and use of proceeds from the Subscription are fair and reasonable; (ii) the terms of the Convertible Bonds are fair and reasonable; (iii) the dilution effects to public Shareholders is only 2%; and (iv) the

LETTER FROM ASIAVEST PARTNERS

financial effect of the Subscription is in general positive to the Group, we are of the opinion that the Subscription is fair and reasonable and is in the interests of the Company and the Shareholders as a whole.

RECOMMENDATION

Having taken into consideration of the principal factors and reasons, in particular,

- (i) the background and reasons for the Acquisition and the Subscription;
- (ii) the consideration of the Acquisition is fair and reasonable;
- (iii) the exercise price for the Conversion Shares is better than the market as illustrated by the Comparables Issues; and
- (iv) the financial effects of the Acquisition and the Subscription are positive to the Group.

We are of the view that the Acquisition and the Subscription are on terms no less favourable than normal commercial terms, in the ordinary and usual course of business, being fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the Acquisition Agreement and the Subscription Agreement and transactions contemplated thereunder at the SGM.

Yours faithfully,
For and on behalf of
AsiaVest Partners Limited
Raymond Lo FCA,CF
Executive Director

1. RESPONSIBILITY STATEMENT

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

(a) Long position in the Shares

Name of Directors	Personal interests	Corporate interests	Total number of Shares held	% of total issued Shares
Xu Lian Guo (Notes 1 and 2)	–	204,004,000	204,004,000	38.5%
Xu Lian Kuan (Notes 1 and 2)	–	204,004,000	204,004,000	38.5%
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 Conversion Shares to be issued and allotted to Zhong Da (BVI) Limited upon the exercise of the conversion rights attached to the Convertible Bonds pursuant to the Subscription. The Subscription, including the issue of the Conversion Shares, is subject to the approval by the Independent Shareholders at the SGM, details of which are disclosed in this circular.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and the chief executive of the Company and their respective associates hold any interest or short position in the Shares, underlying Shares and debentures of the Company or any of its associated corporation (within the meaning of the SFO) which had 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 taken or deemed to have under such provisions of the SFO) or which are required, pursuant to section 352 of the SFO, to be entered in the register of the Company referred to therein, or which are required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules, to be notified to the Company and the Stock Exchange.

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 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:

(a) Long position in the Shares

Name of Shareholders	Capacity	Notes	Number of Shares held	% of the issued share capital
Zhong Da (BVI) Limited	Beneficial owner	1, 2	204,004,000	38.5%
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:

- Zhong Da (BVI) Limited is beneficially owned as to 57.22% and as to 42.78% by Mr. Xu Lian Guo and Mr. Xu Lian Kuan, respectively.
- Pursuant to the Subscription, the Conversion Shares will be issued and allotted to Zhong Da (BVI) Limited upon the exercise of the conversion rights attached to the Convertible Bonds. The Subscription, including the issue of the Conversion Shares, is subject to the approval by the Independent Shareholders at the SGM, details of which are disclosed in this circular.
- 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.

According to the register of interests kept by the Company under section 336 of the SFO and so far as was known to the Directors or chief executive of the Company, other than the interest disclosed herein, there was no other person (other than the Directors or chief executive of the Company) who, as at the Latest Practicable Date, had an interest or short position in the Shares or underlying Shares, which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who was, directly or indirectly, beneficially 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 member of the Company or in any options in respect of such capital.

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

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration proceedings of material importance 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:

Name	Qualification
AsiaVest Partners	A licensed corporation under the SFO and engaged in types 4, 6 and 9 regulated activities.
Castores Magi Asia Limited	A professional business appraiser in Hong Kong.
Tanrich Capital	A licensed corporation under the SFO and engaged in types 1 and 6 regulated activities.

(collectively the “**Experts**”)

As at the Latest Practicable Date, each of the Experts has given and has not withdrawn its respective written consent to the issue of this circular with the inclusion of its letters dated the date hereof and reference to its name in the form and context in which they appear.

As at the Latest Practicable Date, none of the Experts had any shareholding in any member of the Group or the right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group, and none of the Experts had 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 or proposed to be acquired or disposed of any member of the Group.

10. DIRECTORS’ INTERESTS IN CONTRACTS

Save for the Acquisition Agreement, the Subscription Agreement and the contracts as referred to in items (h) to (k) in the section headed “Documents available for inspection” below, 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. 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.

12. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at the principal place of business of the Company in Hong Kong at 1609, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong, up to and including 28 August 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 AsiaVest Partners" as set out in this circular;
- (d) the annual report of the Company for the two years ended 31 December 2007;
- (e) the circular of the Company dated 4 October 2007 in regard to the Yancheng Celette Purchase Agreement and the Zhongwei Bus Sales Agreement (as defined therein) 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 written consent from each of AsiaVest Partners and Tanrich Capital as referred to in the section headed "Experts and Consent" above;
- (h) the Yancheng Celette Purchase Agreement as referred to in item (e) above;
- (i) the Zhongwei Bus Sales Agreement as referred to in item (e) above;

- (j) the Yancheng Celette Sales Agreement as referred to in the announcement of the Company dated 23 August 2007 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; and
- (m) the Subscription Agreement.

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 I, Novotel Century Hong Kong Hotel, 238 Jaffe Road, Wanchai, Hong Kong on Monday, 1 September 2008 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 agreement (the “**Acquisition Agreement**”) dated 24 July 2008 entered into between 鹽城奧申工業裝備製造有限公司 (Yancheng Aoshen Industrial Equipment Manufacturing Co., Ltd.*), an indirect wholly-owned subsidiary of the Company (the “**Purchaser**”), and 中大工業集團公司 (Zhongda Industrial Group Corporation) (the “**Vendor**”), a copy of which is tabled at the meeting and marked “A” and initialed by the chairman of the meeting for identification purpose, pursuant to which, the Vendor has agreed to transfer a 20% equity interest in 鹽城中威客車有限公司 (Yancheng Zhongwei Bus Manufacturing Co., Ltd.), to the Purchaser for the consideration of RMB18,460,000 and is hereby approved, ratified and confirmed; and
- (b) 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 all such other documents, instruments and agreements and to do all such acts or things deemed by him/them to be incidental to, ancillary to or in connection with the matters contemplated in the Acquisition Agreement.”

(2) “**THAT**

- (a) the agreement (the “**Subscription Agreement**”) dated 24 July 2008 entered into between Zhong Da (BVI) Limited and the Company, a copy of which is tabled at the meeting and marked “B” and initialed by the chairman of the meeting for identification purpose, in relation to the subscription (the “**Subscription**”) of the zero coupon convertible bonds (the “**Convertible Bonds**”) in the principal amount of HK\$21,000,000 to be issued by the Company to Zhong Da (BVI) Limited, the principal terms of which are set

* For identification purpose only

NOTICE OF SGM

out under the section headed “Subscription Agreement” in the circular of the Company dated 14 August 2008 be and is hereby approved, ratified and confirmed;

- (b) the issue of the Convertible Bonds to be issued by the Company in accordance with the Subscription Agreement be and are hereby approved and that 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 and issue the Convertible Bonds to Zhong Da (BVI) Limited upon completion of the Subscription;
- (c) subject to paragraph (a) of this Resolution and the Listing Committee of The Stock Exchange of Hong Kong Limited granting the approval of and the permission to deal in the shares (the “**Conversion Shares**”) to be allotted and issued by the Company upon exercise of the conversion rights under the Convertible Bonds, the issue of the Conversion Shares upon the exercise of the conversion rights attached to the Convertible Bonds be and is hereby confirmed and approved; and
- (d) 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 all such other documents, instruments and agreements and to do all such acts or things deemed by him/ them to be incidental to, ancillary to or in connection with the matters contemplated in the Subscription.”

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

Hong Kong, 14 August 2008

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

NOTICE OF SGM

Notes:

1. A form of proxy for use at the meeting is enclosed herewith.
2. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his/her attorney duly authorised in writing or, if the appointor is a corporation, either under its seal or under the hand of any officer, attorney or other person authorised to sign the same.
3. Any member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and, on a poll, vote instead of him/her. A proxy need not be a member of the Company.
4. In order to be valid, the form of proxy, together with the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, must be lodged at the principal place of business of the Company in Hong Kong at 1609, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong, not less than 48 hours before the time appointed for holding the meeting or any adjourned meeting thereof (as the case may be).
5. Completion and return of the form of proxy will not preclude members from attending and voting in person at the meeting or at any adjourned meeting thereof (as the case may be) should they so wish, and in such event, the form of proxy shall be deemed to be revoked.
6. Where there are joint registered holders of any share, any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he/she was solely entitled thereto, but if more than one of such joint holders are present at the meeting, whether in person or by proxy, the joint registered holder present whose name stands first on the register of members in respect of the shares shall be accepted to the exclusion of the votes of the other registered holders.