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ZHONGDA INTERNATIONAL HOLDINGS LIMITED

中大國際控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 909)

CONTINUING CONNECTED TRANSACTIONS

On, 23 August 2007, Zhong Da International has entered into (1) the Yancheng Celette Purchase Agreement with Yancheng Celette in regard to the purchases by Zhong Da Group from Yancheng Celette of products, parts and components for the Group, (2) the Zhongwei Bus Sales Agreement with Zhongwei Bus regarding the sales by Zhong Da Group to Zhongwei Bus of products and of raw materials, and (3) the Yancheng Celette Sales Agreement with Yancheng Celette regarding the sales by Zhong Da Group to Yancheng Celette of the raw materials, parts and components.

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

The Yancheng Celette Sales Agreement and the transactions contemplated thereby constitute connected transactions of the Company under the Listing Rules. As the total annual consideration does not exceed HK\$10,000,000, the Yancheng Celette Sales Agreement shall be subject to the disclosure and reporting requirements but is exempt from the independent shareholders' approval requirements under Rule 14A.34 of the Listing Rules.

A circular setting out details of the Yancheng Celette Purchase Agreement, the Zhongwei Bus Sales Agreement, the relevant Caps, a letter from the independent financial advisor to the independent board committee and Independent Shareholders of the Company, a letter from the independent board committee of the Company to the Independent Shareholders and a notice to convene a SGM will be despatched to the Shareholders as soon as practicable.

BACKGROUND

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

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

CONTINUING CONNECTED TRANSACTIONS

1. Yancheng Celette Purchase Agreement

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

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

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

2. Zhongwei Bus Sales Agreement

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

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

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

3. Yancheng Celette Sales Agreement

The Zhong Da Group has been selling raw materials, parts and components to Yancheng Celette in the ordinary course of business and on 23 August 2007, Zhong Da International has entered into the Yancheng Celette Sales Agreement with Yancheng Celette for a term of 3 years regarding the sales by Zhong Da Group to Yancheng Celette of the raw materials, parts and components at a price based on the actual cost of production plus a profit margin of approximately 5 per cent.

It is anticipated that the sales of raw materials, parts and components by the Zhong Da Group for each of the three years commencing 1 January 2007 shall not be exceeding RMB3,000,000 respectively. Accordingly, the transactions contemplated under the Yancheng Celette Sales Agreement shall constitute continuing connected transactions of the Company under Rule 14A.34 of the Listing Rules. Please refer to the section headed “Caps and Basis of Determination” below.

EXISTING TRANSACTIONS WITH YANCHENG CELETTE AND ZHONGWEI BUS

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

	Year ended 31 December 2004 <i>RMB'000</i>	Year ended 31 December 2005 <i>RMB'000</i>	Year ended 31 December 2006 <i>RMB'000</i>
Actual Amount			
(1) Purchases of products, parts and components from Yancheng Celette	12,691	8,380	8,514
(2) Sales of products and raw materials to Zhongwei Bus	16,657	24	329
(3) Sales of the raw materials, parts and components to Yancheng Celette	2,902	1,524	963
Old Annual Caps			
(1) Purchases of products, parts and components from Yancheng Celette	19,500	21,400	26,200
(2) Sales of products and raw materials to Zhongwei Bus	20,000	30,000	—
(3) Sales of the raw materials, parts and components to Yancheng Celette	3,000	3,000	—

Based on the unaudited management accounts of the Group for the three months ended 31 March 2007, being the latest information available to the Company as at the date hereof, the transactions with Yancheng Celette and Zhongwei Bus are set out below:–

	Three months ended 31 March 2007 <i>RMB'000</i>
(1) Purchases of products, parts and components from Yancheng Celette (the “ Existing Purchases from Yancheng Celette ”)	2,000
(2) Sales of products and raw materials to Zhongwei Bus (the “ Existing Sales to Zhongwei Bus ”)	5,700
(3) Sales of raw materials, parts and components to Yancheng Celette (the “ Existing Sales to Yancheng Celette ”)	200

As the relevant percentage ratio in respect of each of the Existing Purchases from Yancheng Celette, the Existing Sales to Zhongwei Bus and the Existing Sales to Yancheng Celette is less than HK\$10,000,000 under Rule 14A.34 of the Listing Rules, the Existing Purchases from Yancheng Celette, the Existing Sales to Zhongwei Bus and the Existing Sales to Yancheng Celette are only subject to the reporting and announcement requirements set out in Rules 14A.45 to 14A.47 and are exempt from the independent shareholders’ approval requirements under Chapter 14A of the Listing Rules.

CAPS AND BASIS OF DETERMINATION

It is anticipated that the aggregate value of the Continuing Connected Transactions for the three years ending 31 December 2009 shall be as follows:–

	Year ending 31 December 2007 <i>RMB'000</i>	Year ending 31 December 2008 <i>RMB'000</i>	Year ending 31 December 2009 <i>RMB'000</i>
(1) the Yancheng Celette Purchase Agreement	19,500	19,500	19,500
(2) the Zhongwei Bus Sales Agreement	80,000	80,000	80,000
(3) the Yancheng Celette Sales Agreement	3,000	3,000	3,000

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

As advised by Yancheng Celette, Yancheng Celette recorded the sales for 2006 of approximately RMB6.4 million based on its unaudited management accounts for the year ended 31 December 2006. In consideration of the existing sales orders of Yancheng Celette and its growing business, it is expected that Zhong Da Group will have increasing sales and purchases orders from Yancheng Celette, which have been reflected into the relevant Caps.

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

If the Continuing Connected Transactions for such year exceeds the Caps, the Company is obliged to re-comply with Rules 14A.35(3) and (4) in accordance with Rule 14A.36 of the Listing Rules.

REASONS FOR AND BENEFITS OF THE CONTINUING CONNECTED TRANSACTIONS

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

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

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

The Directors consider that the entering into the Yancheng Celette Purchase Agreement, the Zhongwei Bus Sales Agreement and the Yancheng Celette Sales Agreement will enable the Zhong Da Group to continue its business relations with each of Yancheng Celette and Zhongwei Bus by the provision of a wider range of automobile parts, components, equipments, products and raw materials arising in their normal and usual course of business, thereby the Group shall have a broaden stream of revenue source and is of the commercial benefits to the Company and the Group as a whole.

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

LISTING RULES REQUIREMENTS FOR THE CONTINUING CONNECTED TRANSACTIONS

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

The Company will seek the approval of the Independent Shareholders at the SGM for (i) the Yancheng Celette Purchase Agreement, (ii) the Zhongwei Bus Sales Agreement, and (iii) the relevant Caps for the three financial years ending 31 December 2009.

3. The Yancheng Celette Sales Agreement and the transactions contemplated thereby constitute connected transactions of the Company under the Listing Rules. As the total annual consideration does not exceed HK\$10,000,000, the Yancheng Celette Sales Agreement shall be subject to the disclosure and reporting requirements but is exempt from the independent shareholders' approval requirements under Rule 14A.34 of the Listing Rules.

CONNECTION BETWEEN THE PARTIES IN THE CONTINUING CONNECTED TRANSACTIONS

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

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

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

GENERAL

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

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

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

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

A circular setting out details of the Yancheng Celette Purchase Agreement, the Zhongwei Bus Sales Agreement, the relevant Caps, a letter from the independent financial advisor to the independent board committee and Independent Shareholders of the Company, a letter from the independent board committee of the Company to the Independent Shareholders and a notice to convene a SGM will be despatched to the Shareholders as soon as practicable.

DEFINITIONS

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

“Company”	Zhongda International Holdings Limited, an exempted company incorporated in Bermuda with limited liability and whose shares are listed on the Stock Exchange
“Directors”	the directors of the Company

“Continuing Connected Transactions”	the underlying transactions under the Yancheng Celette Purchase Agreement, Zhongwei Bus Sales Agreement as well as the Yancheng Celette Sales Agreement for the three years ending 31 December 2009 respectively
“Group”	the Company and its subsidiaries
“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
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China
“Shareholders”	shareholders of the Company
“SGM”	a special general meeting of the Company to be convened to consider and approve (by way of a poll) the Yancheng Celette Purchase Agreement, the Zhongwei Bus Sales Agreement and the Caps respectively
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Yancheng Celette”	Yancheng Celette Body Repairing Equipment Ltd. (鹽城使力得整形設備有限公司), a sino-foreign equity joint venture enterprise established under the laws of the PRC and is owned as to 49% by Zhongda Industrial Group
“Yancheng Celette Purchase Agreement”	a purchase agreement dated 23 August 2007 entered into between Zhong Da International and Yancheng Celette for the purchases of products, parts and components by Zhong Da Group from Yancheng Celette
“Yancheng Celette Sales Agreement”	a sales agreement dated 23 August 2007 entered into between Zhong Da International and Yancheng Celette for the sales of the raw materials, parts and components by Zhong Da Group to Yancheng Celette
“Zhongda Industrial Group”	Zhongda Industrial Group Corporation (中大工業集團公司), a company established under the laws of the PRC and is controlled by Mr. Xu Lian Guo and Mr. Xu Lian Kuan
“Zhong Da Group”	Zhong Da International and its subsidiaries and associated companies as a whole
“Zhong Da International”	Zhong Da International Limited, an indirect wholly-owned subsidiary of the Company

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

By Order of the Board
ZHONGDA INTERNATIONAL HOLDINGS LIMITED
Xu Lian Guo
Chairman

Hong Kong, 23 August 2007

As at the date of this announcement, the board of directors of the Company comprises Messrs. Xu Lian Guo, Xu Lian Kuan, Zhang Yuqing and Kwok Ming Fai as executive directors, and Messrs. Gu Yao Tian, Sun Ka Ziang Henry and Li Xin Zhong as independent non-executive directors of the Company respectively.

* *For identification purpose only*