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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

EXCLUSIVE OVERSEAS DISTRIBUTION AGREEMENT

On 10 December 2007, Zhongwei Bus and Zhongda International Trading entered into the Exclusive Overseas Distribution Agreement, whereby Zhongwei Bus has appointed Zhongda International Trading as the exclusive overseas distributor for the selling of the Vehicles outside the PRC. Zhongda International Trading will be entitled to receive a commission at a rate of 5% or above on the selling prices of the Vehicles, inclusive of administrative, distribution, sales and marketing costs and expenses on the Export Sales.

The Exclusive Overseas Distribution Agreement will commence from the effective date of the Exclusive Overseas Distribution Agreement up to 31 December 2009. The parties have a right to extend the appointment of Zhongda International Trading as the exclusive overseas distributor for a further term of 3 years up to 31 December 2012.

Zhongwei Bus is owned as to 65% by Zhongda Industrial Group. Zhongda Industrial Group is controlled by both Mr. Xu Lian Guo and Mr. Xu Lian Kuan, Directors and substantial shareholders of the Company. As such, Zhongda Industrial Group and Zhongwei Bus are connected persons of the Company as defined under the Listing Rules. The entering into the Exclusive Overseas Distribution Agreement and the transactions contemplated thereby constitute continuing connected transactions of the Company under the Chapter 14A of the Listing Rules. As the Caps exceed 2.5% of the applicable percentage ratios and over HK\$10,000,000, these transactions are subject to the announcement, reporting and the independent shareholders' approval requirements under Rule 14A.34 of the Listing Rules.

A circular setting out details of the Exclusive Overseas Distribution Agreement and the 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 to approve the Exclusive Overseas Distribution Agreement and the Caps will be despatched to the shareholders of the Company as soon as practicable.

CONTINUING CONNECTED TRANSACTIONS

The Exclusive Overseas Distribution Agreement

The principal terms of the Exclusive Overseas Distribution Agreement are set out as below:

1. Date: 10 December 2007

2. Parties: Zhongwei Bus as the supplier

Zhongda International Trading as the exclusive overseas distributor, Zhongda International Trading is an indirect wholly-owned subsidiary of the Company.

3. Appointment of Exclusive Overseas Distributor:

Zhongwei Bus has appointed Zhongda International Trading as the exclusive overseas distributor for the selling of the products including but not limited to buses and coaches manufactured by Zhongwei Bus (“**the Vehicles**”) outside the PRC. Zhongda International Trading will be entitled to receive a commission at a rate of 5% or above on the selling prices of the Vehicles, inclusive of administrative, distribution, sales and marketing costs and expenses on the Export Sales.

4. Term of Appointment:

The Exclusive Overseas Distribution Agreement will commence from the effective date of the Exclusive Overseas Distribution Agreement up to 31 December 2009.

The parties have a right to extend the appointment of Zhongda International Trading as the exclusive overseas distributor for a further term of 3 years up to 31 December 2012 which is subject to, among other things, (i) the satisfaction by the Company and the Group of the relevant disclosure requirements under the Listing Rules and the applicable rules and regulation in Hong Kong; and (ii) the signing of an agreement in writing between the parties in respect to extending of the term of appointment of Zhongda International Trading, if applicable.

The Exclusive Overseas Distribution Agreement and the transactions contemplated thereby constitute continuing connected transactions (“**Continuing Connected Transactions**”) of the Company under Chapter 14A of the Listing Rules and are subject to the Independent Shareholders’ approval at the SGM. In the event that approval from the Independent Shareholders cannot be obtained, the Exclusive Overseas Distribution Agreement shall terminate on the date which the SGM is held. Further announcement shall be made by the Company in this regard.

CAPS AND BASIS OF DETERMINATION

Historical

Established in 1996, Zhongwei Bus is the major manufacturer of buses and coaches under ZIG Group. Zhongwei Bus is located in Yancheng at a site of an area over 200,000 square metres with a paid up capital of RMB92 million. Currently, Zhongwei Bus distributes its Vehicles to over 20 provinces in the PRC and 30 overseas markets in Eastern Europe, Middle East, North Africa, South America, and South East Asia. Based on the audited accounts of Zhongwei Bus under the PRC accounting standards for the three years ended 31 December 2006, Zhongwei Bus recorded the total turnover (“**Total Turnover**”) of the Vehicles, comprising of local and overseas sales, as below:–

	Year ended 31 December 2004	Year ended 31 December 2005	Year ended 31 December 2006
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Total turnover of the Vehicles	209,000	357,000	396,000

Caps

Pursuant to the Exclusive Overseas Distribution Agreement, it is anticipated that the annual caps (the “**Caps**”) of the Continuing Connected Transactions for the three years ending 31 December 2009 shall be as follows:–

	Year ended 31 December 2007	Year ended 31 December 2008	Year ended 31 December 2009
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Gross commission income	20,000	40,000	50,000

The Caps are estimated based on various factors including but not limited to (1) the historical growth rate in the Total Turnover recorded by Zhongwei Bus; (2) the existing sales orders of Zhongwei Bus and the potential growth in its exports sales; and (3) the anticipated growth rate in the worldwide demand for buses and coaches.

The Caps are calculated at a commission rate of 5% based on the estimated annual turnover of the Vehicles by Zhongwei Bus with an expected growth rate of approximately 26% commencing from the year 2006.

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 EXCLUSIVE OVERSEAS DISTRIBUTION AGREEMENT

The industry research analysis reflected that the demand for commercial vehicles (buses, coaches and trucks) is brought year-to-date 2007 volume to over 2.3 million units or 21.9% year-on-year growth. According to the PRC's official announcement, the PRC is the largest potential market for, the second largest consumer and third largest manufacturer of vehicles around the world. For the first seven months sales of 2007, the PRC has exported 294,000 units of vehicles with a 70% year-on-year growth and expected to be over 500,00 units by the end of this year. In addition, the PRC government will improve its export infrastructure and provide a favorable environment for vehicles export from the PRC. As a result, it may therefore become a regional hub for bus and coach production base with competitive cost advantage and towards an increased emphasis on export markets. According to the research statistics, the OEMs sales of buses and coaches in the first eight months of 2007 increased by over 25% to the last corresponding period. The export of large to medium-sized buses and coaches increased by over 150% to over 10,000 units in the first half of 2007. As a result, the expected Export Sales of the Zhongwei Bus would be favourable under such a promising prospect.

Hong Kong is a well-known international financial centre with comprehensive and well-established financial and financing services. The world-class infrastructure of Hong Kong makes it a focal place for trading, logistics and financial enterprises in the region, in particular for those in the PRC.

The Directors consider that by entering into the Exclusive Overseas Distribution Agreement, the Company has the advantages of having a new source of revenue income to the Group over the term of the Exclusive Overseas Distribution Agreement. By utilizing the efficient and effective banking facilities and trading & financing services available in Hong Kong for the Export Sales, it will be beneficial to the Company and the Group as a whole and to the ZIG Group by way of fostering the development in the Export Sales of Zhongwei Bus across the border.

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 Exclusive Overseas Distribution Agreement; and (b) 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 ordinary and usual course of business of the Group.

LISTING RULES IMPLICATIONS

Zhongwei Bus is owned as to 65% by Zhongda Industrial Group. Zhongda Industrial Group is controlled by both Mr. Xu Lian Guo and Mr. Xu Lian Kuan, Directors and substantial shareholders of the Company. As such, Zhongda Industrial Group and Zhongwei Bus are connected persons 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 Exclusive Overseas Distribution Agreement. As at the date hereof, both Mr. Xu Lian Guo and Mr. Xu Lian Kuan are commonly interested in 204,004,000 shares in the Company, representing approximately 38.5% of the issued share capital of the Company, and Mr. Zhang Yuqing is interested in 17,600,000 shares in the Company, representing approximately 3.3% 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.

The entering into the Exclusive Overseas Distribution Agreement and the transactions contemplated thereby constitute continuing connected transaction of the Company under the Chapter 14A of the Listing Rules. As the Caps exceed 2.5% of the applicable percentage ratios and over HK\$10,000,000, these transactions are subject to the announcement, reporting and the independent shareholders' approval requirements under Rule 14A.34 of the Listing Rules.

The Directors (excluding the independent non-executive Directors who will base their opinion on the advice from the independent financial advisor) consider that the Continuing Connected Transactions were entered into on normal commercial terms and in the ordinary and usual course of business of the Group. The independent non-executive Directors will give recommendations to the Independent Shareholders on the merits of the Continuing Connected Transactions upon receiving the advice from the independent financial advisor, details of which will be disclosed in the circular of the Company for the Continuing Connected Transactions.

GENERAL

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

Zhongwei Bus is principally engaged in the manufacture and sale of motor vehicles and automobile spare parts, trading of metals and the provision of maintenance services for motor vehicles. Its annual production capacity can be up to a maximum production 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.

An independent board committee of the Company comprising all the independent non-executive Directors will be formed to consider and advise the Independent Shareholders on the Continuing Connected Transactions and the Caps. An independent financial advisor will be appointed to advise the independent board committee and the Independent Shareholders on the Continuing Connected Transactions and the Caps.

A circular setting out details of the Exclusive Overseas Distribution Agreement and the 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 to approve the Exclusive Overseas Distribution Agreement and the Caps 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 Exclusive Overseas Distribution Agreement for the three years ending 31 December 2009 respectively
“Exclusive Overseas Distribution Agreement”	an exclusive overseas distribution agreement dated 10 December 2007 entered into between Zhongwei Bus and Zhongda International Trading for the exclusive distribution of the Export Sales of the Zhongwei Bus
“Export Sales”	the selling of buses and coaches manufactured by Zhongwei Bus outside the PRC
“Group”	the Company and its subsidiaries from time to time
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“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, and for the purpose of this announcement, excludes Hong Kong, Macau Special Administrative Region and the Taiwan region
“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 Exclusive Overseas Distribution Agreement and the Caps respectively
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“ZIG Group”	Zhongda Industrial Group and its subsidiaries from time to time
“Zhongda Industrial Group”	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
“Zhongda International Trading”	Zhongda International Trading Limited, an indirect wholly-owned subsidiary of the Company
“Zhongwei Bus”	鹽城中威客車有限公司 (Yancheng Zhongwei Bus Manufacturing Co., Ltd.), a company established under the laws of the PRC and is owned as to 65% by Zhongda Industrial Group
“%”	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, 10 December, 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*