



Zhongda International Holdings Limited
中大國際控股有限公司

(Incorporated in Bermuda with limited liability)
(stock code: 00909)

2009 Interim Report





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CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Mr. Xu Lian Guo (*Chairman*)
Mr. Xu Lian Kuan (*Vice-chairman and Chief Executive Officer*)
Mr. Zhang Yuqing (*Vice-chairman*)
Mr. Kwok Ming Fai

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

AUDIT COMMITTEE

Mr. Sun Ka Ziang Henry (*Chairman*)
Mr. Gu Yao Tian
Mr. Li Xinzhong

REMUNERATION COMMITTEE

Mr. Gu Yao Tian (*Chairman*)
Mr. Li Xinzhong
Mr. Zhang Yuqing

COMPANY SECRETARY

Mr. Fu Yan Ming

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE

No. 100
Kai Fang Da Dao
Yancheng
Jiangsu Province
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
DBS Bank (Hong Kong) Limited
Fubon Bank (Hong Kong) Limited
Hang Seng Bank Limited
The Hongkong and Shanghai Banking Corporation Limited
Agricultural Bank of China,
Yancheng Branch
Industrial and Commerce Bank of China,
Yancheng Branch
China Minsheng Banking Corp., Ltd.,
Nanjing Branch

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

The Bank of Bermuda Limited
Bank of Bermuda Building
6 Front Street
Hamilton HM 11
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Standard Limited
26th Floor, Tesbury Center
28 Queen's Road East
Wanchai
Hong Kong

AUDITORS

SHINEWING (HK) CPA Limited
Certified Public Accountants

LEGAL ADVISERS

As to Hong Kong law
Sidley Austin

As to Bermuda law
Conyers Dill & Pearman

STOCK CODE

00909



MANAGEMENT DISCUSSION AND ANALYSIS

Revenue

During the period under review, the Group's turnover recorded a substantial drop by 56.9% to approximately RMB130.0 million. It was mainly attributable to the economic downturn that triggered by United States sub-prime mortgage crisis since last year. There is little sign of recovery not until mid 2009.

Automobile Repair and Maintenance Equipment

During the period, export sales of the Group comprising mainly automobile spray booths and car lifters were approximately RMB9.1 million, representing a large decrease of 56.0% when compared with the previous period due to global shrinkage of automobile industry. The overall turnover was approximately RMB55.4 million which decreased substantially by 47.3% when compared with the last corresponding period. While it is expected that the global economy would still be weak and export sales would not be recovered in short term, not only do we continue developing new products in order to maintain our competitiveness in the market but we would also expand towards emerging markets that are less affected by the financial turmoil.

Trading of Automobile Spare Parts

Yancheng Zhongda Automobiles Equipment Co. Ltd. is the procurement center for both the Group and the Zhongda Industrial Group Corporation ("ZIG"). The turnover of this segment was approximately RMB13.1 million which drastically decreased by 88% when compared with last period. It was mainly due to the delivery deferred in some bulk orders by overseas customers and the difficult economy. Moving forward, we are still planning to upgrade this platform to serve our affiliate companies and joint ventures. In the long run, we would expand and open this platform to serve outside customers.

Automobile (Double-Decker) Manufacturing

In the first half of 2009, Nanjing Zhongda Jinling Double-Decker Bus Manufacture Co. Ltd. has contributed revenue of approximately RMB57.5 million, accounting for approximately 44.2% of the Group's total revenue. The Group also strives to enhance the manufacturing technology in order to ensure that all our products shall comply with future environmental protection requirements. After having enhanced the management of Zhongda Jinling, it will continue to exploit and develop overseas markets that providing better margin. Currently, our double-decker has already been running on the roads in Egypt, Doha and United Arab Emirates.



Zhongwei Bus

During the period, the Group has completed the acquisition of 20% shareholdings of Zhongwei Bus ("Zhongwei"). Zhongwei becomes our associated company which is specialized in manufacturing of long-haul coaches. Its products have been sold to over 40 countries around the world. During the first six months of the year, its export sales dropped tremendously as a result of 1) the global adverse economical situation, 2) delay in delivery of some bulk orders as requested by customers while the respective cost has been reflected in the period. Therefore, this segment reported an operating loss because of the captioned mismatching and the drop in sales. Meanwhile, the situation is improving and we expected that business would be getting back to its right track in the coming months. Going ahead, the Group will continue to work closely with ZIG step by step to look into further possible co-operations so as to enlarge the Group's revenue stream.

FINANCIAL REVIEW AND LIQUIDITY

Gross Margin

As affected by 1) intense price competition in the market, 2) the dilution effect on the increase in proportion of revenue contribution from buses manufacturing and auto parts trading business, the gross profit margin of the period has declined slightly from 15.3% to 13.4% when compared with the same period last year.

Net Loss

The Group has recorded a net loss of approximately RMB20.3 million when compared with a net profit of approximately RMB16.5 million of the last period. Basic loss per share for the period was RMB3.10 cents.

Liquidity

Liquidity as measured by current ratio (defined as "Current Asset/Current Liabilities") with a ratio of 1.1x during the period was considered as still acceptable. Regarding the current assets, approximately 29.9% were cash and bank deposit.

Leverage

Net gearing ratio (defined as "Total bank debts – Cash available/Total Net Worth") was decreased to 0.07x during the period from 0.16x as at financial year ended 2008. The Group will take effort to retain its leverage at a satisfactory level.



As at 30 June 2009, cash and bank balances of the Group amounted to approximately RMB196 million (31 December 2008: RMB129 million). Cash is mainly denominated in Renminbi. There was no long term bank loan (31 December 2008: Nil) and the short term bank loans was amounted to approximately RMB219 million (31 December 2008: RMB183 million) which representing an increase of approximately RMB35.7 million.

The interest rates of bank borrowings ranged between 1.18% and 6.37% per annum (31 December 2008: between 1.25% and 9.71%). The collaterals provided for these bank borrowings mainly comprised certain land use rights and buildings of the subsidiaries of the Group. The revenue of the Group was mainly denominated in Renminbi and US Dollar, and the borrowings were mainly settled in Renminbi. The directors are of the view that since the exchange rate between Renminbi and US Dollar is relatively stable, there is no significant risk in relation to foreign exchange fluctuation.

Assets

As at 30 June 2009, the net asset value of the Group amounted to approximately RMB325.6 million (31 December 2008: RMB339 million), representing a decrease of approximately 0.4%. Net current assets amounted to approximately RMB35.5 million (31 December 2008: RMB32.6 million), an increase of approximately 9% from last year.

PROSPECT

The global economic turmoil triggered by US sub-prime mortgage is still casting its effect over all sectors globally. With worldwide co-operation to curb the spread of an economic depression, the situation seems to be under control but the signal of recovery is still blur. However, it is expected the demand for commercial vehicles is less affected especially in emerging markets including Africa, the Middle East, South America, Eastern Europe and Asia. The Group will continue to develop and explore our business in these areas. In fact, we are recently concluding bulk sales orders of coaches with some African and Middle-East countries. In addition, we would increase our effort to exploit domestic markets especially in those provinces in western and north-western part of the PRC.

In recent years, the PRC government has implemented a series of policies to support the development of new energy automobile industry. As a result, the Group has located certain partners and worked closely with them to exploit this opportunity. We will adjust our business and operation strategies when necessary in response to the ever-changing environment in order to strengthen the Group's profit.



Looking ahead, the Group will implement a strategy of steady growth and seek to capture more new business opportunities in order to generate satisfactory return to our stakeholders.

EMPLOYEE REMUNERATION POLICIES

As at 30 June 2009, the Group employed a total of 1,300 (31 December 2008: 1,300) full time employees.

The Group provides remuneration package to employees largely based on industry practice, individual performance, qualification and experience. In addition, discretionary bonus and share option may be granted to eligible staff by reference to the Group's performance and individual performance. The Group also provides other benefits to its employees such as medical and statutory retirement benefits for both the directors and employees.



INDEPENDENT REVIEW REPORT



SHINEWING (HK) CPA Limited
16/F., United Centre
95 Queensway, Hong Kong

TO THE BOARD OF DIRECTORS OF ZHONGDA INTERNATIONAL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

INTRODUCTION

We have been instructed by the Company to review the interim financial information set out on pages 9 to 37.

DIRECTORS' RESPONSIBILITIES

The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with Hong Kong Accounting Standard 34 "Interim financial reporting" ("HKAS 34") issued by The Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34.

It is our responsibility to form an independent conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.



INDEPENDENT REVIEW REPORT (CONTINUED)

REVIEW WORK PERFORMED

We conducted our review in accordance with the Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review consists principally of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical procedures to the interim financial report based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review does not constitute an audit and thus does not include usual audit procedures such as tests of controls and verification of assets, liabilities and transactions. A review is substantially less extensive in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the interim financial report.

REVIEW CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

SHINEWING (HK) CPA LIMITED

Certified Public Accountants

Chan Wing Kit

Practising Certificate Number: P03224

Hong Kong
25 September 2009



**CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2009**

	Notes	For the six months ended 30 June	
		2009 RMB'000 (Unaudited)	2008 RMB'000 (Unaudited)
Turnover	4	130,052	301,889
Cost of sales		(112,683)	(255,707)
Gross profit		17,369	46,182
Other revenue		4,062	2,286
Change in fair value of investment properties		(1,101)	11,860
Selling and distribution expenses		(8,131)	(9,065)
Administrative and other operating expenses		(23,846)	(25,505)
Finance costs	5	(7,974)	(7,117)
Share of results of associates		(954)	–
(Loss) profit before tax	6	(20,575)	18,641
Income tax credit (expense)	7	275	(2,169)
(Loss) profit for the period		(20,300)	16,472
Attributable to:			
Owners of the parent		(16,479)	18,181
Minority interests		(3,821)	(1,709)
		(20,300)	16,472
(Loss) earnings per share	9	RMB	RMB
– Basic		(3.10 cents)	3.43 cents
– Diluted		N/A	3.36 cents

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2009**

	For the six months ended 30 June	
	2009 RMB'000 (Unaudited)	2008 RMB'000 (Unaudited)
(Loss) profit for the period	(20,300)	16,472
Exchange differences arising on translation of the financial statements of foreign companies of the Group	(199)	(8,037)
Total comprehensive income for the period	(20,499)	8,435
Attributable to:		
Owners of the parent	(16,678)	10,144
Minority interests	(3,821)	(1,709)
	(20,499)	8,435



CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2009

	<i>Notes</i>	30 June 2009 RMB'000 (Unaudited)	31 December 2008 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment	10	98,348	100,233
Prepaid lease payments		42,029	42,514
Investment properties		122,458	123,559
Interests in associates	11	17,506	–
Prepayment for investments in associates		438	18,898
Available-for-sale investments		900	900
Deferred tax assets		32,188	32,188
		313,867	318,292
Current assets			
Prepaid lease payments		970	970
Inventories		24,489	58,581
Amounts due from related companies	12	63,572	270,379
Amount due from an associate	13	237,236	705
Trade and bills receivables	14	77,108	95,718
Amount due from customers for contract work	15	33,877	13,953
Held-for-trading investments		–	31
Prepayments and other receivables		23,202	26,557
Restricted deposit placed in a financial institution		11,188	5,000
Pledged bank deposit		10,087	10,149
Restricted bank balances		147,500	82,647
Bank balances and cash		27,265	31,097
		656,494	595,787



CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)
AS AT 30 JUNE 2009

	Notes	30 June 2009 RMB'000 (Unaudited)	31 December 2008 RMB'000 (Audited)
Current liabilities			
Amounts due to customers for contract work	15	16,994	1,068
Trade and bills payables	16	301,258	265,181
Advance receipt from customers		7,773	25,115
Other payables and accruals		36,055	35,658
Amount due to an associate		295	37
Amounts due to related companies		7,095	1,666
Amounts due to directors		5,256	5,288
Loan from ultimate holding company		39	18,614
Tax payable		27,093	27,093
Bank overdrafts	17	13,277	7,991
Bank and other borrowings – due within one year	18	205,867	175,460
		621,002	563,171
Net current assets		35,492	32,616
Total assets less current liabilities		349,359	350,908
Capital and reserves			
Share capital	19	55,402	55,074
Reserves		253,508	263,618
Equity attributable to equity holders of the Company		308,910	318,692
Minority interests		16,667	20,488
		325,577	339,180
Non-current liabilities			
Convertible bond	20	12,329	–
Deferred tax liabilities		11,453	11,728
		23,782	11,728
		349,359	350,908



CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30 JUNE 2009

	Attributable to equity holders of the Company										
	Share capital RMB'000	Share premium RMB'000	Convertible bond reserve RMB'000	Reserve fund RMB'000	Enterprise expansion reserves RMB'000	Share options reserve RMB'000	Exchange translation reserve RMB'000	Retained profits RMB'000	Total RMB'000	Minority interests RMB'000	Total RMB'000
As at 1 January 2009	55,074	127,810	-	2,720	2,720	3,646	(12,643)	139,365	318,692	20,488	339,180
Total comprehensive loss for the period	-	-	-	-	-	-	(199)	(16,479)	(16,678)	(3,821)	(20,499)
Recognition of equity component of the convertible bond	-	-	6,302	-	-	-	-	-	6,302	-	6,302
Shares repurchased and cancelled, net of share repurchase expenses	(24)	(13)	-	-	-	-	-	-	(37)	-	(37)
Proceeds from shares issued under share option scheme, net of expenses	352	640	-	-	-	(361)	-	-	631	-	631
As at 30 June 2009 (unaudited)	55,402	128,437	6,302	2,720	2,720	3,285	(12,842)	122,886	308,910	16,667	325,577
As at 1 January 2008	55,125	127,877	-	2,720	2,720	3,646	(7,878)	123,167	307,377	29,008	336,385
Total comprehensive (loss) income for the period	-	-	-	-	-	-	(8,037)	18,181	10,144	(1,709)	8,435
As at 30 June 2008 (unaudited)	55,125	127,877	-	2,720	2,720	3,646	(15,915)	141,348	317,521	27,299	344,820

Note: According to the rules and regulations applicable to the Group's subsidiaries in the People's Republic of China (the "PRC"), when distributing net income of each year, these subsidiaries shall set aside a portion of their income as reported in their statutory financial statements for the reserve fund and enterprise expansion fund. Such amounts appropriated are determined at the discretion of the directors of the Company. These reserves cannot be used for purposes other than for which they are created and are not distributable as cash dividend.

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 JUNE 2009**

	For the six months ended 30 June	
	2009 RMB'000 (Unaudited)	2008 RMB'000 (Unaudited)
Cash from operating activities	34,636	92,919
Net cash used in investing activities	(70,765)	(103,558)
Net cash from financing activities	32,496	1,812
Net decrease in cash and cash equivalents	(3,633)	(8,827)
Cash and cash equivalents at beginning of the period	31,097	44,554
Effect of foreign exchange rate changes	(199)	(6,122)
Cash and cash equivalents at end of the period represented by bank balances and cash	27,265	29,605



NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 30 JUNE 2009

1. BASIS OF PREPARATION

The condensed consolidated interim financial information have been prepared in accordance with the applicable disclosure provision of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with the Hong Kong Accounting Standard ("HKAS") 34, Interim Financial Reporting, issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated interim financial information have been prepared on the historical cost basis, except for investment properties and certain financial instruments, which are measured at fair values, as appropriate.

For the six months ended 30 June 2009, a convertible bond was issued and split into a debt component which is recognised in non-current liabilities of the condensed consolidated statement of financial position and an equity component which is recognised in equity.

The accounting policies used in the condensed consolidated interim financial information are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2008, except for the accounting policies of convertible bond as set out above and others as set out below.

In current period, the Group has applied, for the first time, the following new and revised standards, amendments and interpretation ("new HKFRSs") issued by the HKICPA which are effective for the Group's financial year beginning 1 January 2009.

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008 except for the amendments to HKFRS 5 which is effective for annual periods beginning on or after 1 July 2009
HKFRSs (Amendments)	Improvements to HKFRSs 2009 in relation to the amendment to paragraph 80 to HKAS 39
HKFRS 2 (Amendment)	Share-based Payment – Vesting Conditions and Cancellations
HKFRS 7 (Amendments)	Financial Instrument: Disclosures – Improving Disclosure about Financial Instruments
HKFRS 8	Operating Segments



2. PRINCIPAL ACCOUNTING POLICIES (Continued)

HKAS 1 (Revised)	Presentation of Financial Statements
HKAS 23 (Revised)	Borrowing Costs (Revised)
HKAS 32 and 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKFRS 1 and HKAS 27 (Amendments)	Cost of Investment in a Subsidiary, Jointly Controlled Entity or Associate
HK (IFRIC)-Interpretation ("Int") 9 and HKAS 39	Reassessment of Embedded Derivatives
HK (IFRIC)-Int 13	Customer Loyalty Programmes
HK (IFRIC)-Int 15	Agreements for the Construction of Real Estate
HK (IFRIC)-Int 16	Hedges of a Net Investment in a Foreign Operation

The adoption of these new HKFRSs had no material effect on how the results and financial position of the Group for the current or prior accounting periods have been prepared and presented except for the change in presentation as described below.

HKAS 1 (Revised) "Presentation of Financial Statements"

HKAS 1 (Revised) separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented as a single line. In addition, the standard introduces the statement of comprehensive income: it presents all items of recognised income and expense, either in one single statement, or in two linked statements. The Group has elected to present two statements.

HKFRS 8 "Operating Segments"

This standard requires disclosure of information about the Group's operating segments and replaces the requirement to determine primary (business) and secondary (geographical) reporting segments of the Group. Adoption of this standard did not have any effect on the financial position or performance of the Group. The Group determined that the operating segments were the same as the business segments previously identified under HKAS 14 Segment Reporting.



2. PRINCIPAL ACCOUNTING POLICIES (Continued)

The Group has not early adopted the following new or revised standards, amendments or interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs issued in 2008 ¹
HKFRSs (Amendments) HKAS 27 (Revised) HKAS 39 (Amendment) HKFRS 1 (Amendment)	Improvements to HKFRSs issued in April 2009 ² Consolidated and Separate Financial Statements ¹ Eligible Hedged Items ¹ Amendments to HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards – Additional Exemptions for First-time Adopters ⁴
HKFRS 1 (Revised)	First-time Adoption of HKFRSs ¹
HKFRS 2 (Amendment)	Share-based Payment – Group Cash-Settled Share-based Payment Transactions ⁴
HKFRS 3 (Revised)	Business Combinations ¹
HK(IFRIC)-Int 17	Distribution of Non-cash Assets to Owners ¹
HK(IFRIC)-Int 18	Transfer of Assets from Customers ³

¹ Effective for annual periods beginning on or after 1 July 2009.

² Effective for annual periods beginning on or after 1 July 2009 or 1 January 2010, as appropriate.

³ Effective for transfers of assets from customers received on or after 1 July 2009.

⁴ Effective for annual periods beginning on or after 1 January 2010.

3. SEGMENT INFORMATION

The Group has adopted HKFRS 8 “Operating Segments” with effect from 1 January 2009. HKFRS 8 requires operating segments to be identified on the basis of internal reports on the components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to these segments and to assess their performance. In contrast, the predecessor standard (HKAS 14 “Segment Reporting”) required an entity to identify two sets of segments (business and geographical) using a risks and returns approach, with the entity’s “system of internal financial reporting to key management personnel” serving only as the starting point for the identification of such segments.

In the past, the Group’s primary reporting format was business segments. The application of HKFRS 8 has not resulted in a re-designation of the Group’s reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14, nor has the adoption of HKFRS 8 changed the basis of measurement of segment profit or loss.



3. SEGMENT INFORMATION (Continued)

For management purposes, the Group is organised into four (2008: four) operating divisions – automobile equipment, buses, automobile spare parts and property investment. These divisions are the basis on which the Group reports its primary segment information.

Principal activities are as follows:

Automobile equipment	–	manufacture and sales of automobile equipment
Buses	–	manufacture and sales of buses
Automobile spare parts	–	trading of automobile spare parts
Property investment	–	leasing of investment properties

Segment information for the six months ended 30 June 2009 and 2008 is as follows:

For the six months ended 30 June 2009

	Automobile equipment RMB'000	Buses RMB'000	Automobile spare parts RMB'000	Property investment RMB'000	Total RMB'000
TURNOVER	55,402	57,468	13,140	4,042	130,052
RESULTS					
Segment results	(6,702)	(3,337)	(1,368)	2,941	(8,466)
Unallocated corporate expenses					(4,996)
Share of results of associates					(954)
Interest income					1,815
Finance costs					(7,974)
Loss before tax					(20,575)
Income tax credit					275
Loss for the period					(20,300)



3. SEGMENT INFORMATION (Continued)

For the six months ended 30 June 2008

	Automobile equipment RMB'000	Bus RMB'000	Automobile spare parts RMB'000	Property investment RMB'000	Total RMB'000
TURNOVER	105,111	84,779	109,576	2,423	301,889
RESULTS					
Segment results	6,034	4,320	4,502	14,283	29,139
Unallocated corporate expenses					(4,008)
Interest income					627
Finance costs					(7,117)
Profit before tax					18,641
Income tax expense					(2,169)
Profit for the period					16,472

4. TURNOVER

For the six months ended
30 June

	2009 RMB'000 (Unaudited)	2008 RMB'000 (Unaudited)
Sales of goods	101,692	279,998
Revenue from construction contracts	8,633	12,097
Commission income	15,685	7,371
Rental income	4,042	2,423
	130,052	301,889



5. FINANCE COSTS

	For the six months ended 30 June	
	2009 RMB'000 (Unaudited)	2008 RMB'000 (Unaudited)
Interest on bank and other borrowings wholly repayable within five years	5,161	5,131
Interest on discounted bills	2,642	1,986
Effective interest on convertible bond	171	–
	7,974	7,117

6. (LOSS) PROFIT BEFORE TAX

(Loss) profit before tax has been arrived at after charging (crediting):

	For the six months ended 30 June	
	2009 RMB'000 (Unaudited)	2008 RMB'000 (Unaudited)
Depreciation on property, plant and equipment	3,546	3,524
Amortisation on prepaid lease payments on land use rights	485	485
Gain on disposal of property, plant and equipment	–	60
Allowance for bad and doubtful debts	–	1,439
Change in fair value of investment properties	1,101	(11,860)
Rental income from investment properties	(4,042)	(2,423)



7. INCOME TAX (CREDIT) EXPENSE

	For the six months ended	
	30 June	
	2009	2008
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current tax:		
– People's Republic of China ("PRC")		
Enterprise Income Tax ("EIT")	–	2,509
– Hong Kong Profits Tax	–	1,097
	–	3,606
Deferred tax:		
– Current period	(275)	(1,437)
	(275)	2,169

No Hong Kong Profits Tax has been provided in the condensed consolidated interim financial information as the Group had no assessable profits in Hong Kong for the current period. Hong Kong Profits Tax was calculated at 17.5% on the estimated assessable profits for the previous period.

In accordance with the relevant rules and regulations in the PRC, except for Yancheng Ausen Industrial Equipment Manufacture Co., Ltd. ("Ausen Industrial Equipment"), all other PRC subsidiaries are subject to EIT at a rate of 25% (2008: 25%).

Pursuant to an approval document dated 20 December 2004 issued by the State Tax Bureau of Yancheng, Ausen Industrial Equipment, being a foreign investment enterprise, is qualified as a production enterprise and entitles to EIT exemption for the years 2004 and 2005 and a 50% reduction in EIT for the years from 2006 to 2008. The application of the New Tax Law has not altered the entitlement of Ausen Industrial Equipment for the preferential tax rate. The applicable income tax rate of Ausen Industrial Equipment is 25% (2008: 12.5%).



8. DIVIDENDS

The directors of the Company do not recommend the payment of any interim dividend for the periods ended 30 June 2009 and 2008.

9. (LOSS) EARNINGS PER SHARE

The calculation of the basic loss per share (Period ended 30 June 2008: earnings per share) is based on the Group's loss attributable to owners of the parent of approximately RMB16,479,000 (Period ended 30 June 2008: profit of approximately RMB18,181,000) and the weighted average number of ordinary shares of 530,753,000 (Period ended 30 June 2008: 530,004,200) in issue during the period.

No diluted loss per share is presented for the period ended 30 June 2009 as the exercise of potential dilutive ordinary shares would result in reduction in loss per share.

During the period ended 30 June 2008, the calculation of the diluted earnings per share is based on the Group's profit attributable to owners of the parent of approximately RMB18,181,000 and the weighted average number of ordinary shares of 540,516,136 in issue after adjusting for the effect of all dilutive potential ordinary shares.

10. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent approximately RMB1,661,000 (2008: RMB12,176,000) on additions to property, plant and equipment. Net carrying value of property, plant and equipment being disposed of during the period was amounted to Nil (2008: approximately RMB585,000).



11. INTERESTS IN ASSOCIATES

	30 June 2009 RMB'000 (Unaudited)	31 December 2008 RMB'000 (Audited)
Cost of investment in unlisted associates	18,464	4
Share of post acquisition loss	(958)	(4)
	17,506	–

On 17 April 2009, the Group completed the acquisition of 20% equity interest in Yancheng Zhongwei Bus Manufacturing Company Limited ("Zhongwei Bus") from Zhongda Industrial Group Corporation ("Zhongda Industrial"), a related company with common directors of the Company. The consideration was RMB18,460,000. The amount of goodwill arising on acquisition of the associates was approximately RMB7,303,000. Details of the acquisition were set out in a circular of the Company dated 24 July 2008.

**12. AMOUNTS DUE FROM RELATED COMPANIES**

The amounts due from related companies disclosed pursuant to Section 161B of the Hong Kong Companies Ordinance are as follows:

		30 June 2009 RMB'000 (Unaudited)	31 December 2008 RMB'000 (Audited)	Maximum amount owed to the Group during the period RMB'000
Zhongwei Bus ¹	<i>i & ii</i>	–	208,468	208,468
Yancheng Zhongda Automobile Service Co., Ltd. ¹	<i>i & ii</i>	11	10	11
Zhongda Industrial ¹	<i>i & iii</i>	16,995	14,867	16,995
Yancheng Zhongda International Trading Co. Ltd. ("International Trading") ¹	<i>i & ii</i>	46,411	39,766	46,411
Nanjing Jinlin Double-decker Bus Manufacture Co. ("Nanjing Jinlin") ³	<i>i & ii</i>	–	6,926	6,926
Yancheng Celette Body Repairing Equipment Co., Ltd. ("Yancheng Celette") ²	<i>i & ii</i>	155	177	177
鹽城市上通汽車銷售有限公司 ⁴	<i>i & ii</i>	–	165	165
		63,572	270,379	

¹ Xu Lian Guo and Xu Lian Kuan, both are directors of the Company, are the common directors with beneficial interests.

² Xu Lian Guo and Xu Lian Kuan are the common directors.

³ It is a subsidiary of Jiangsu Jinling Transportation Group Co., Ltd. which is the shareholder of Nanjing Zhongda Jinling Double-decker Bus Manufacture Company Limited, a subsidiary of the Company.

⁴ The Group has 18% equity interest in this company.

Notes:

- (i) The amounts are unsecured, interest-free and repayable on demand.
- (ii) The amount is mainly trade in nature.
- (iii) The amount represented cash received on behalf of the Group.



13. AMOUNT DUE FROM AN ASSOCIATE

The amount due from an associate was of trade nature and was unsecured, interest-free and repayable on demand.

The Group allows credit period of one year to its associate.

Zhongda Industrial has provided the financial undertaking to the Group regarding to the amount due from Zhongwei Bus.

14. TRADE AND BILLS RECEIVABLES

	30 June 2009 RMB'000 (Unaudited)	31 December 2008 RMB'000 (Audited)
Trade receivables	146,479	164,409
Less: Allowance for bad and doubtful debts	(70,206)	(70,206)
	76,273	94,203
Bills receivables	835	1,515
	77,108	95,718

The Group allows credit period ranging from 30 to 180 days to its trade customers. The following is an aged analysis of trade receivables net of allowance for doubtful debts at the reporting date:

	30 June 2009 RMB'000 (Unaudited)	31 December 2008 RMB'000 (Audited)
0-180 days	52,318	68,383
181-365 days	10,956	8,886
1-2 years	11,778	10,199
Over 2 years	1,221	6,735
Total	76,273	94,203

**15. AMOUNTS DUE FROM/(TO) CUSTOMERS FOR CONTRACT WORK**

	30 June 2009 RMB'000 (Unaudited)	31 December 2008 RMB'000 (Audited)
Contracts in progress at the balance sheet date:		
Contract costs incurred plus recognised profits less recognised losses	42,496	53,039
Less: progress payments	(25,613)	(40,154)
	16,883	12,885
Analysed for reporting purposes as:		
Amounts due from customers for contract work	33,877	13,953
Amounts due to customers for contract work	(16,994)	(1,068)
	16,883	12,885

During the period, retentions held by customers for contract works amounted to approximately RMB2,866,000 (31 December 2008: RMB4,737,000). There was no advance received from customers for contract work as at 30 June 2009 (31 December 2008: Nil).



16. TRADE AND BILLS PAYABLES

The following is an ageing analysis of trade and bills payables at the balance sheet date:

	30 June 2009 RMB'000 (Unaudited)	31 December 2008 RMB'000 (Audited)
0-180 days	94,948	136,662
181-365 days	7,188	9,725
1-2 years	9,142	5,617
Over 2 years	1,740	1,002
	113,018	153,006
Bills payable	188,240	112,175
	301,258	265,181

The average credit period on purchases of goods is ranging from one to six months.

17. BANK OVERDRAFTS

Bank overdrafts carried interest at market rates which range from 5.58% to 6.37% per annum (31 December 2008: 5.31% to 7.47%) during the period. All bank overdrafts are denominated in RMB and secured by a pledged bank deposit of approximately RMB10,087,000 (31 December 2008: RMB10,149,000).

**18. BANK AND OTHER BORROWINGS**

	30 June 2009 RMB'000 (Unaudited)	31 December 2008 RMB'000 (Audited)
Bank loans:		
Secured	89,630	120,890
Unsecured	68,633	34,570
	158,263	155,460
Other loans:		
Secured	35,000	20,000
Unsecured	12,604	–
	47,604	20,000
	205,867	175,460
Carrying amount repayable:		
– on demand or within one year	205,867	175,460

As at 30 June 2009, the Group's bank and other borrowings were subject to fixed and variable interest rates ranging from 1.18% to 6.37% (31 December 2008: 1.25% to 9.71%) per annum.

The Group's borrowings that are denominated in currency other than the functional currency of the relevant group entities are set out below:

	HK\$'000
As at 30 June 2009	20,058
As at 31 December 2008	2,611



18. BANK AND OTHER BORROWINGS (Continued)

At 30 June 2009, bank loans of approximately RMB89.6 million (31 December 2008: RMB120.9 million) were secured by certain of the Group's land use rights and buildings with aggregate net carrying values of approximately RMB6.3 million (31 December 2008: RMB6.5 million), buildings with net carrying value of approximately RMB12.1 million (31 December 2008: RMB12.5 million) and investment properties with fair values of approximately RMB87.7 million (31 December 2008: RMB87.9 million).

At 30 June 2009, bank loans of approximately RMB68.6 million (31 December 2008: RMB34.6 million) were secured by corporate guarantees issued by an independent third party and Zhongda Industrial, a related company of the Company, and certain assets of Zhongda Industrial.

At 30 June 2009, the other loan of RMB35 million (31 December 2008: RMB20 million) was secured by land use rights of the Group with net carrying value of approximately RMB35.8 million (31 December 2008: RMB36.2 million).

19. SHARE CAPITAL

	Number of shares	HK\$'000	Equivalent to RMB'000
<i>Authorised:</i>			
Ordinary shares of HK\$0.1 each at 1 January 2008, 31 December 2008 and 1 January 2009	1,000,000,000	100,000	
Additions	9,000,000,000	900,000	
Ordinary shares of HK\$0.1 each at 30 June 2009	10,000,000,000	1,000,000	
<i>Issued and fully paid:</i>			
Ordinary shares of HK\$0.1 each at 1 January 2008	530,004,200	53,000	55,125
Repurchases of shares	(584,000)	(58)	(51)
At 31 December 2008 and 1 January 2009	529,420,200	52,942	55,074
Repurchases of shares	(274,000)	(27)	(24)
Exercise of share options	4,000,040	400	352
At 30 June 2009	533,146,240	53,315	55,402



20. CONVERTIBLE BOND

On 8 May 2009, the Company issued the zero coupon convertible bond due on 30 April 2013 with a principal amount of HK\$21,000,000 (approximately RMB18,460,000) to Zhong Da (BVI) Limited, the ultimate holding of the Company. The convertible bond entitles the holder to convert the convertible bond into ordinary shares of the Company at any time between 8 November 2009 and 30 April 2013 at a conversion price of HK\$0.84 per share.

The convertible bond contains two components, liability and equity elements. The equity element is presented in equity as convertible bond reserve. The effective interest rate of the liability component is 8% per annum.

	RMB'000
Liability component	12,158
Interest expenses charged	<u>171</u>
As at 30 June 2009	<u><u>12,329</u></u>

Subsequent to 30 June 2009, the convertible bond was redeemed by the Company. Details are set out in note 24(b) of the condensed consolidated interim financial information.



21. RELATED PARTY TRANSACTIONS

(A) During the six months ended 30 June 2009, the Group had the following transactions with its related companies:

	For the six months ended 30 June	
	2009 RMB'000 (Unaudited)	2008 RMB'000 (Unaudited)
Transactions with Zhongda Industrial:		
– Service fee expenses (a)	375	375
– Patent fee expense (b)	100	100
– Trademark fee expense (c)	75	75
– Rental expense for office premises (d)	50	50
– Acquisition of 20% equity interest of Zhongwei Bus (note 11)	18,460	–
Transactions with Yancheng Celette:		
– Purchases of products (e)	2,744	3,196
– Sales of products and raw materials (f)	1,815	3,363
Transactions with Zhongwei Bus ⁴ :		
– Sales of products and raw materials (g)	57,706	106,238
– Rental income for land (h)	1,500	1,500
– Rental income for land and buildings (i)	2,500	833
Transactions with International Trading ⁴ :		
– Sales of products (j)	–	3,754
– Sales commission income (k)	15,685	7,371

**21. RELATED PARTY TRANSACTIONS (Continued)**

	For the six months ended	
	30 June	
	2009	2008
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Transactions with Zhongda Sankyo:		
– Purchase of raw materials (e)	–	58
Transactions with Jiangsu Zhongda Sankyo Automobile Equipment Co., Ltd. ³ :		
– Rental expenses for office premises (l)	150	150
Transactions with Ausen Co., Ltd.:		
– Sales of products (m)	1,404	1,163
Transactions with 鹽城市上通汽車銷售有限公司:		
– Sales of raw materials (n)	179	7
Transactions with Zhongda EMS Limited ⁴ :		
– Sales of raw materials (n)	–	26

¹ Xu Lian Guo and Xu Lian Kuan are common director.

² It is a shareholder of subsidiary of the Company.

³ It is an associate of Zhongda Industrial.

⁴ It is an associate of the Group.

Details and terms of the above transactions with related parties are as follows:

- (a) Pursuant to an integrated services agreement dated 31 August 2001, the annual fee for integrated services provided by Zhongda Industrial to the Group is RMB750,000, determined on the basis of the relevant fee fixed by the National Price Bureau, or market price if there is no applicable fee set by the National Price Bureau for any such service. The agreement is for a term of ten years commenced on 31 August 2001.



21. RELATED PARTY TRANSACTIONS (Continued)

- (b) Pursuant to a patent agreement dated 31 August 2001, Zhongda Industrial and Mr. Xu Lian Kuan, one of the directors of the Company, granted to the Group an exclusive right to use certain patents at an annual fee of RMB200,000 for periods commencing 31 August 2001 to expiry of the patent certificate of the relevant patents.
- (c) Pursuant to a trademark agreement dated 31 August 2001, Zhongda Industrial granted to the Group an exclusive right to use certain trademarks at an annual fee of RMB150,000. The agreement is for a term of ten years commencing 31 August 2001.
- (d) Pursuant to an office license agreement dated 30 May 2006, the rental of office premises is charged at a rate of RMB100,000 per annum for a period of five years commencing 1 June 2006.
- (e) Purchases from Yancheng Celette and Zhongda Sankyo of approximately RMB2,744,000 (2008: RMB3,196,000) and Nil (2008: RMB58,000) respectively, which were made on mutually agreed terms.
- (f) The prices were determined based on the actual cost of production plus a profit margin of approximately zero to 9 per cent in respect of sales of raw materials to Yancheng Celette.
- (g) The prices were determined based on the actual cost of production plus a profit margin of approximately 9 per cent in respect of sales of raw materials to Zhongwei Bus.
- (h) Pursuant to a rental agreement, the rental of land is charged at RMB83,000 per month for a period of three years commenced on 12 July 2004. The agreement was renewed with rental charge at RMB250,000 per month for another three years commenced on 12 July 2007.
- (i) Pursuant to a rental agreement, the rental of land and buildings is charged at RMB5,000,000 per annum for the period from 1 May 2008 to 31 December 2009.
- (j) The prices were determined based on the actual cost of production plus a profit margin of approximately 7 per cent in respect of sales of products to International Trading.

**21. RELATED PARTY TRANSACTIONS (Continued)**

- (k) Pursuant to an exclusive agency agreement dated 8 April 2008, Zhongda Industrial has appointed Zhongda International Trading Limited as the exclusive overseas agent for selling the products which is including but not limited to buses, coaches, auto parts and components manufactured by Zhongwei Bus (the "Products") outside the PRC. Zhongda International Trading Limited will be entitled to receive a commission at a rate of 9% on the selling prices of the Products.
- (l) Pursuant to a rental agreement, the rental of office premises was charged at RMB25,000 per month.
- (m) Sales to Ausen Co., Ltd. of approximately RMB1,404,000 (2008: RMB1,163,000) were made on mutually agreed terms.
- (n) Sales to 鹽城市上通汽車銷售有限公司 and Zhongda EMS Limited of approximately RMB179,000 (2008: RMB7,000) and approximately Nil (2008: RMB26,000) respectively, were made on mutually agreed terms.
- (B) Key management compensation
The aggregate amounts of fees and emoluments paid or payable to the directors of the Company during the six months ended 30 June 2009 and 2008 are set out below:

	For the six months ended 30 June	
	2009 RMB'000 (Unaudited)	2008 RMB'000 (Unaudited)
Fees	1,784	1,795
Other emoluments		
– Salaries and allowances	182	225
– Contributions to pension schemes	39	45
	2,005	2,065



22. OPERATING LEASES

The Group as lessee

	For the six months ended 30 June	
	2009 RMB'000 (Unaudited)	2008 RMB'000 (Unaudited)
Minimum lease payments in respect of rented premises paid under operating leases during the period	206	341

At the balance sheet date, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	30 June 2009 RMB'000 (Unaudited)	31 December 2008 RMB'000 (Audited)
Within one year	350	381
In the second to fifth year inclusive	217	392
	567	773

Operating lease payments represent rentals payable by the Group for certain of its office premises. Leases are negotiated for an average term of two years (2008: two years) and rentals are fixed during the relevant lease periods.



22. OPERATING LEASES (Continued)

The Group as lessor

At the balance sheet date, the Group had contracted with tenants for the following future minimum lease receipts:

	30 June 2009 RMB'000 (Unaudited)	31 December 2008 RMB'000 (Audited)
Within one year	5,932	8,180
In the second to fifth year inclusive	–	1,842
	5,932	10,022

Property rental income earned during the period was approximately RMB4,042,000 (2008: RMB2,423,000). The properties are expected to generate rental yield of 3.3% (2008: 2%) on an ongoing basis. Lease and rentals are negotiated and fixed for an average of two to three years (2008: two to three years).

23. CAPITAL COMMITMENTS

	30 June 2009 RMB'000 (Unaudited)	31 December 2008 RMB'000 (Audited)
Contracted for but not provided in the consolidated financial statements:		
– acquisition of land use rights and buildings	11,128	11,128
– capital contribution on interests in an associate	4,189	4,189
	15,317	15,317



24. EVENTS AFTER THE REPORTING PERIOD

- (a) Subsequent to 30 June 2009, the Company raised additional funding of approximately RMB74,905,000, net of issuing expenses, by issuing 319,887,744 offer shares at a price of HK\$0.28 per offer share by way of open offer on the basis of three offer shares for every five existing shares held and payable in full upon acceptance with 63,977,548 bonus shares issue on the basis of two bonus shares for every ten offer shares.

These new shares rank pari passu in all respects with other shares in issue. Details are set out in a circular of the Company dated 4 June 2009.

- (b) Subsequent to 30 June 2009, the convertible bond was redeemed by the Company. The redemption price is approximately RMB21,266,000 (equivalent to HK\$24,150,000), which equal to 115% of the outstanding principal amount of the convertible bond.

25. COMPARATIVE FIGURES

Certain comparative figures have been restated to conform with current period's presentation.

**OTHER INFORMATION****SHARE OPTION SCHEMES**

The Company has a share option scheme (the "New Scheme") which was adopted at the annual general meeting of the Company held on 31 May 2007, and the share option scheme (the "Old Scheme") of the Company adopted in 2001 was terminated henceforth. The total number of the shares of the Company which may be allotted and issued upon the exercise of all options to be granted under the New Scheme must not in aggregate exceed 48,000,400 shares, being 10% of the issued share capital of the Company as at the date of the annual general meeting adopting the New Scheme. Share options granted under the Old Scheme prior to its termination remained in force until they lapsed in accordance with the terms of the Old Scheme.

The movements in the share options granted under the share option schemes of the Company during the six months ended 30 June 2009 are shown below:

(a) Old Scheme

Category of participant	Date of offer	Number of share options			Exercise price per share HK\$	Exercisable period
		As at 1 Jan 2009	Exercised during the period	As at 30 Jun 2009		
Eligible persons	11 Jan 2007	12,000,120	4,000,040	8,000,080	0.179	11 Jul 2007 to 10 Jul 2012
	5 Feb 2007	4,000,040	-	4,000,040	0.465	5 Aug 2007 to 4 Aug 2012
	13 Feb 2007	4,000,040	-	4,000,040	0.627	13 Aug 2007 to 12 Aug 2012
TOTAL		20,000,200	4,000,040	16,000,160		

As at 30 June 2009, the outstanding options entitling the eligible persons under the Old Scheme to subscribe for an aggregate of 16,000,160 shares, representing approximately 3% of the issued share capital of the Company.

**(b) New Scheme**

No option has been granted or outstanding under the New Scheme since its adoption.

Save as disclosed above, and the convertible bonds to Zhong Da (BVI) Limited ("Zhong Da BVI") in the principal amount of HK\$21,000,000 convertible into 25,000,000 shares at HK\$0.84 per share, at no time during the six months ended 30 June 2009 was the Company, its holding company or any of its subsidiaries a party to any arrangements to enable the directors, their respective spouses or their children under the age of 18 to acquire benefits by means of the acquisition of the shares in, or debentures of, the Company and any other body corporate.

DIRECTORS' INTEREST IN THE SHARE CAPITAL

As at 30 June 2009, the interests of the directors, chief executives of the Company or their associates in the issued share capital of the Company (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), which were notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) and required to be entered in the register maintained by the Company pursuant to section 352 of the SFO or as otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers under the Listing Rules, are as follows:

**(i) Long position in the shares and underlying shares**

Name of directors	Notes	Number of shares		Number of underlying shares	Total	% of issued share capital
		Personal interests	Corporate interests			
Mr. Xu Lian Guo	1	-	204,004,000	-	304,004,000	57.0%
	2	-	-	25,000,000		
	3	-	-	75,000,000		
Mr. Xu Lian Kuan	1	-	204,004,000	-	304,004,000	57.0%
	2	-	-	25,000,000		
	3	-	-	75,000,000		
Mr. Zhang Yuqing		17,600,000	-	-	17,600,000	3.3%

Notes:

1. The 204,004,000 shares are held by Zhong Da BVI which is beneficially owned as to 57.22% by Mr. Xu Lian Guo and as to 42.78% by Mr. Xu Lian Kuan respectively.
2. Both Mr. Xu Lian Guo and Mr. Xu Lian Kuan are interested in the 25,000,000 shares to be allotted and issued to Zhong Da BVI upon exercise of the conversion rights attached to the convertible bonds in the principal amount of HK\$21,000,000.
3. Pursuant to the Underwriting Agreement (as defined in the circular of the Company dated 4 June 2009 (the "Circular")), Zhong Da BVI has undertaken to take up not less than 75,000,000 Offer Shares under its entitlement according to the Open Offer. Both Mr. Xu Lian Guo and Mr. Xu Lian Kuan are interested in such 75,000,000 Offer Shares by virtue of their interests in Zhong Da BVI.



(ii) Associated Corporation

Name of associated corporation	Note	Nature of interests	Amount of equity interests held	% of the equity interests
鹽城中威客車有限公司 (Yancheng Zhongwei Bus Manufacturing Co., Ltd.) ("Zhongwei Bus")	1	Corporate interests	RMB73,840,000	80%

Note:

1. 中大工業集團公司 (Zhongda Industrial Group Corporation), a corporation jointly controlled by Mr. Xu Lian Guo and Mr. Xu Lian Kuan, holds 80% equity interests of Zhongwei Bus.

Save as disclosed, as at 30 June 2009, none of the directors or chief executive or their associates had any personal, family, corporate or other interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations as defined in the SFO.



SUBSTANTIAL SHAREHOLDERS

As at 30 June 2009, the following persons had interests in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO:

Name of shareholders	Capacity	Notes	Number of shares held	Number of underlying shares held	% of the issued share capital
Zhong Da BVI	Beneficial owner	1	204,004,000	–	38.3%
	Beneficial owner	2	–	25,000,000	4.7%
	Beneficial owner	3	–	75,000,000	14.1%
Shum Yip Holdings Company Limited	Beneficial owner	4	39,576,000	–	7.4%
Upbest Securities Company Limited	Beneficial owner	5	–	272,435,692	51.1%

Notes:

1. The 204,004,000 shares are held by Zhong Da BVI which is beneficially owned as to 57.22% by Mr. Xu Lian Guo and as to 42.78% by Mr. Xu Lian Kuan respectively.
2. 25,000,000 shares will be allotted and issued to Zhong Da BVI upon exercise of the conversion rights attached to the convertible bonds in the principal amount of HK\$21,000,000.
3. Pursuant to the Underwriting Agreement (as defined in the Circular), Zhong Da BVI has undertaken to take up not less than 75,000,000 Offer Shares under the Open Offer.
4. 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.
5. Upbest Securities Company Limited is interested in the 272,435,692 shares immediately upon completion of the Open Offer and the Bonus Issue (as defined in the Circular) as if no shareholder would take up the Offer Shares under the Open Offer.

Save as disclosed above, as at 30 June 2009, according to the records required to be kept by the Company under section 336 of the SFO, there was no person (except for the directors and chief executives of the Company) who had any interest or short positions in the shares or underlying shares of the Company.



DIRECTORS' INTERESTS IN CONTRACT

Save as disclosed herein, no other contracts of significance subsisted during or at the end of the period under review.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the six months ended 30 June 2009, the Company repurchased a total of 274,000 shares of the Company on the Stock Exchange at an aggregate purchase price of HK\$41,608. Details of the repurchases are as follows:

Month of the repurchases	Number of shares repurchased	Price per share		Aggregate purchase price (excluding expenses)
		Highest	Lowest	
		HK\$	HK\$	HK\$
January 2009	<u>274,000</u>	0.155	0.150	<u>41,608</u>

The above repurchases were effected by the directors, pursuant to the general mandate granted by the shareholders, with a view to benefit shareholders as a whole in enhancing the net assets and earnings per share of the Company. The repurchased shares had been cancelled during the period under review.

Save as disclosed above, there was no purchase, sale or redemption by the Company, or any of its subsidiaries, of any listed securities of the Company during the period ended 30 June 2009.

COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE PRACTICES

In the opinion of the directors, the Company has complied with the code provisions set out in the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 to the Listing Rules during the six months ended 30 June 2009, except for deviation as below:

- E.1.2: Neither the Chairman of the Company nor members of audit committee of the Company attended the annual general meeting of the Company held on 26 June 2009 because of their respective business engagements. The directors present thereat conducted the meeting in a duly constituted and proper manner.



COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by directors (the "Code of Conduct") on terms no less exacting than the required standard of the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules.

Having made specific enquiry with all directors, each of whom has confirmed compliance with the required standard set out in the Code of Conduct throughout the six months ended 30 June 2009.

AUDIT COMMITTEE

The Company established an audit committee with terms of reference no less exacting than the required standard as set out in the code provisions of the CG Code. The primary duties of the audit committee are to review and supervise the financial reporting process and the internal control system of the Group. The audit committee has three members comprising all the independent non-executive directors of the Company. The unaudited consolidated results of the Group for the six months ended 30 June 2009 have been reviewed by the Company's audit committee and auditors respectively.

REMUNERATION COMMITTEE

The Company established a remuneration committee with terms of reference no less exacting than the required standard as set out in the code provisions of the CG Code. The primary duties of the remuneration committee are to review and make recommendation for the remuneration policy of the directors and senior management. The remuneration committee comprises two independent non-executive directors, Mr. Gu Yao Tian and Mr. Li Xinzhong, and one executive director, Mr. Zhang Yuqing.

By Order of the Board
Xu Lian Guo
Chairman

Hong Kong, 25 September 2009