



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

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

Interim Report **2010**



**CONTENTS**

Corporate Information	2
Management Discussion and Analysis	3
Condensed Consolidated Income Statement	7
Condensed Consolidated Statement of Comprehensive Income	8
Condensed Consolidated Statement of Financial Position	9
Condensed Consolidated Statement of Changes in Equity	11
Condensed Consolidated Statement of Cash Flows	12
Notes to the Condensed Consolidated Financial Statements	13
Other Information	37



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

Hang Seng Bank Limited
The Hongkong and Shanghai Banking Corporation Limited
Standard Chartered Bank (Hong Kong) Limited
DBS Bank (Hong Kong) Limited
Bank of China (Hong Kong) 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

HSBC Bank Bermuda Limited
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 ADVISORS

Sidley Austin

STOCK CODE

00909



MANAGEMENT DISCUSSION AND ANALYSIS

Revenue

Despite the pace of economic recovery was still slow and lack of momentum, Zhongda International Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group") have recorded a substantial increase in turnover by 94.4% to approximately RMB252.8 million during the period under review. However, the outbreak of sovereign debt crisis in the Euro zone has created additional uncertainty to the global economy.

Automobile Repair and Maintenance Equipment

During the period, export sales of the Group comprising mainly automobile spray booths and car lifters were approximately RMB11.0 million, representing an increase of 17.9% when compared with the previous period. The overall turnover was approximately RMB86.4 million which increased substantially by 48.7% 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 the short term, we will continue to developing new products to maintain our competitiveness in the industry.

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 RMB109.1 million which drastically increased by 730.3% when compared with the last period. It was mainly due to the delivery of backlog orders to customers during the period. 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 the outside customers.

Zhongwei Bus

Zhongwei Bus is our associated company which is specialized in manufacturing 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 increased by 66.2% as a result of processing backlog orders from customers in developing countries which are less affected by the global adverse economical situation. Nevertheless, this segment still reported a loss. Meanwhile, the situation is going to be improved when the export sales to South Africa begins.



Overseas Project

During the period, we have successfully concluded the deal with South Africa National Taxi Council ("SANTACO"). We would be bulk selling tailor-made minibus and coaches to the country. At the same time, we were forming a joint venture with SANTACO to build and operate the first nation-wide electronic fare management system in the country as well.

FINANCIAL REVIEW AND LIQUIDITY

Gross Margin

Due to market consolidation of automobile repair and maintenance equipment, the gross profit margin of the period increased from 13.4% to 17.1% when compared with the same period last year.

Net Loss

The Group has recorded a net loss of approximately RMB10.9 million when compared with a net loss of approximately RMB20.3 million of the last period. Basic loss per share for the period was approximately RMB0.53 cents.

Liquidity

Liquidity as measured by current ratio (defined as "Current Asset/Current Liabilities") with a ratio of 1.2x during the period was considered as still acceptable. Regarding the current assets, approximately 33.7% were cash and bank deposit.

Leverage

Net gearing ratio (defined as "Total bank debts – Cash available/Total Net Worth") was improved to null during the period from 0.11x as at FYE 2009. The Group will continue to take effort to retain its leverage at a very satisfactory level.

As at 30 June 2010, cash and bank balances of the Group amounted to approximately RMB284 million (31 December 2009: RMB211 million). Cash is mainly denominated in Renminbi and Hong Kong Dollars. Long term loan was amounted to approximately RMB17 million (31 December 2009: RMB37 million) and the short term bank loans was amounted to approximately RMB222 million (31 December 2009: RMB217 million) which representing an increase of approximately RMB5 million.



The interest rates of bank borrowings ranged between 5.31% and 7.17% per annum (31 December 2009: between 1.30% and 9.47%). 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 Hong Kong 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 2010, the net asset value of the Group amounted to approximately RMB376.1 million (31 December 2009: RMB374.4 million), representing an increase of approximately 0.5%. Net current assets amounted to approximately RMB139.5 million (31 December 2009: RMB152.3 million), a decrease of approximately 8.4% from last year.

PROSPECT

The recent outbreak of sovereign debt crisis in the Euro zone is still casting its effect over all sectors globally. With worldwide co-operation to curb the spread of an economic depression, the situation is under control but the signal of recovery is still blur. However, the demand for commercial vehicles is less affected especially in the emerging markets including Africa, the Middle East, South America, Eastern Europe and Asia. With the successful conclusion of the co-operation with SANTACO, the Group will continue to develop and explore our business in these areas. In addition, we have increased our effort to exploit the domestic markets especially in those provinces in western and north-western part of the PRC.

Recently, the PRC government has further clarified and amended its policies to strengthen the support of developing 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 dynamic environment in order to improve the Group's profit.

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



EMPLOYEE REMUNERATION POLICIES

As at 30 June 2010, the Group employed a total of 1,300 (31 December 2009: 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.



**CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2010**

		For the six months ended 30 June	
		2010	2009
<i>Notes</i>		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Turnover	5	252,847	130,052
Cost of sales		(209,589)	(112,683)
Gross profit		43,258	17,369
Other revenue		4,228	4,062
Change in fair value of investment properties		(539)	(1,101)
Selling and distribution expenses		(10,851)	(8,131)
Administrative expenses		(32,035)	(23,846)
Finance costs	6	(11,446)	(7,974)
Share of loss of associates		(1,460)	(954)
Loss before tax	7	(8,845)	(20,575)
Income tax (expense) credit	8	(2,056)	275
Loss for the period		(10,901)	(20,300)
Loss for the period attributable to:			
Owners of the Company		(5,972)	(16,479)
Non-controlling interests		(4,929)	(3,821)
		(10,901)	(20,300)
Loss per share	10	RMB	RMB
– Basic and diluted (cents per share)		(0.53 cents)	(3.10 cents)

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2010**

	For the six months ended 30 June	
	2010 RMB'000 (Unaudited)	2009 RMB'000 (Unaudited)
Loss for the period	(10,901)	(20,300)
Other comprehensive expenses		
Exchange differences arising on translation	(496)	(199)
Total comprehensive expenses for the period	(11,397)	(20,499)
Total comprehensive expenses attributable to:		
Owners of the Company	(6,468)	(16,678)
Non-controlling interests	(4,929)	(3,821)
	(11,397)	(20,499)



CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2010

		30 June	31 December
		2010	2009
	<i>Notes</i>	RMB'000	RMB'000
		(Unaudited)	(Audited)
Non-current assets			
Property, plant and equipment	11	96,871	100,194
Prepaid lease payments		41,059	41,544
Investment properties		103,226	103,816
Interests in associates	12	16,619	18,079
Available-for-sale investments		900	900
		258,675	264,533
Current assets			
Prepaid lease payments		970	970
Inventories		38,886	25,166
Amounts due from related companies	13	73,147	115,139
Amounts due from associates	14	229,934	287,483
Trade and bills receivables	15	84,442	77,901
Amounts due from customers for contract work	16	46,515	53,216
Prepayments and other receivables		83,355	41,362
Pledged bank deposit		9,975	9,994
Restricted bank balances		97,385	115,628
Bank balances and cash		176,495	85,856
		841,104	812,715

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)**
AS AT 30 JUNE 2010

		30 June 2010	31 December 2009
	<i>Notes</i>	RMB'000 (Unaudited)	RMB'000 (Audited)
Current liabilities			
Amounts due to customers			
for contract work	16	36,968	43,965
Trade and bills payables	17	345,378	308,266
Advance receipt from customers		3,522	4,417
Other payables and accruals		51,033	46,475
Amounts due to related companies		4,828	4,453
Amounts due to directors		6,258	5,485
Tax payable		31,917	30,183
Bank overdrafts	18	6,113	6,257
Bank and other borrowings	19	215,548	210,876
		701,565	660,377
Net current assets			
		139,539	152,338
Total assets less current liabilities			
		398,214	416,871
Capital and reserves			
Share capital	20	100,773	99,166
Share premium and reserves		279,190	274,252
Equity attributable to owners of the Company		379,963	373,418
Non-controlling interests		(3,902)	1,027
		376,061	374,445
Non-current liabilities			
Bank and other borrowings	19	17,045	37,095
Deferred tax liabilities		5,108	5,331
		22,153	42,426
		398,214	416,871



**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2010**

	Attributable to owners of the Company										
	Share capital RMB'000	Convertible Share premium RMB'000	Convertible bond reserve RMB'000	Reserve fund RMB'000	Enterprise expansion fund RMB'000	Share options reserve RMB'000	Translation reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non- controlling interests RMB'000	Total RMB'000
At 1 January 2010 (Audited)	99,166	224,261	-	2,720	2,720	13,654	(16,939)	47,836	373,418	1,027	374,445
Loss for the period	-	-	-	-	-	-	-	(5,972)	(5,972)	(4,929)	(10,901)
Other comprehensive expenses	-	-	-	-	-	-	(496)	-	(496)	-	(496)
Total comprehensive expenses for the period	-	-	-	-	-	-	(496)	(5,972)	(6,468)	(4,929)	(11,397)
Placing of new shares, net of expenses	1,607	11,406	-	-	-	-	-	-	13,013	-	13,013
At 30 June 2010 (Unaudited)	100,773	235,667	-	2,720	2,720	13,654	(17,435)	41,864	379,963	(3,902)	376,061
At 1 January 2009 (Audited)	55,074	127,810	-	2,720	2,720	3,646	(12,643)	139,365	318,692	20,488	339,180
Loss for the period	-	-	-	-	-	-	-	(16,479)	(16,479)	(3,821)	(20,300)
Other comprehensive expenses	-	-	-	-	-	-	(199)	-	(199)	-	(199)
Total comprehensive expenses 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 canceled, 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
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

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 Board of 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 2010

	For the six months ended	
	30 June	
	2010	2009
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Cash generated from operations	100,895	34,636
Less: Income tax paid	(545)	–
Net cash from operating activities	100,350	34,636
Net cash from (used in) investing activities	19,332	(70,765)
Net cash (used in) from financing activities	(28,398)	27,210
Net increase (decrease) in cash and cash equivalents	91,284	(8,919)
Cash and cash equivalents at beginning of the period	79,599	23,106
Effect of foreign exchange rate changes	(501)	(199)
Cash and cash equivalents at end of the period represented by bank balances and cash	170,382	13,988
Represented by:		
Bank balances and cash	176,495	27,265
Bank overdrafts	(6,113)	(13,277)
	170,382	13,988



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2010

1. GENERAL INFORMATION

Zhongda International Holdings Limited (the “Company”) is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). Its parent and ultimate parent is Zhong Da (BVI) Limited (incorporated in the British Virgin Islands (the “BVI”).

The condensed consolidated financial statements are presented in Renminbi (“RMB”), which is the same as the functional currency of the Company. RMB is the currency of the primary economic environment in which the subsidiaries of the Company operate (functional currency of the subsidiaries).

The principal activities of the Company and its subsidiaries (collectively referred as the “Group”) are principally engaged in the development, manufacture and sales of automobile equipment and buses and trading of automobile spare parts.

2. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (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 (the “HKICPA”).

3. PRINCIPAL ACCOUNTING POLICIES

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

Basis of consolidation from 1 January 2010

The condensed consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 30 June 2010.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. All significant intra-group balances, income and expenses, unrealised gains and losses and dividends resulting from intra-group transactions are eliminated on consolidation.



3. PRINCIPAL ACCOUNTING POLICIES (Continued)

Basis of consolidation from 1 January 2010 (Continued)

A change in the ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction.

Losses are attributed to the non-controlling interests (formerly known as minority interests) even if that results in a deficit balance.

The accounting policies used in the preparation of these condensed consolidated financial statements are consistent with those adopted in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2009, except for the accounting policies of the basis of consolidation 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 to standards and interpretation ("new and revised HKFRSs") issued by the HKICPA.

Hong Kong Financial Reporting Standards ("HKFRSs") (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs 2008
HKFRSs (Amendments)	Improvements to HKFRSs 2009
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 39 (Amendment)	Eligible Hedged Items
HKAS 1 (Revised)	First Time Adoption of HKFRSs
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions
HKFRS 3 (Revised)	Business Combinations
HK(IFRIC)-Int 17	Distributions of Non-cash Assets to Owners

Except for described below, the application of these new and revised HKFRSs had no material effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.



3. PRINCIPAL ACCOUNTING POLICIES (Continued)

HKAS 27 (Revised) "Consolidated and Separate Financial Statements"

Allocation of total comprehensive expenses to non-controlling interests

Prior to 1 January 2009, losses applicable to the non-controlling interests in excess of the non-controlling interests in the subsidiary's equity were allocated against the interests of the Group except to the extent that the non-controlling interests had a binding obligation and were able to make an additional investment to cover the losses.

Following the adoption of the HKAS 27 (Revised) "Consolidated and Separate Financial Statements" of the Group, the total comprehensive income and expenses of a subsidiary is attributable to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests have a deficit balance. At 30 June 2010, total comprehensive expenses attributable to the non-controlling interests of approximately RMB4,929,000 and a deficit balance of approximately RMB3,902,000 have been recognised in the condensed consolidated statement of comprehensive income and the condensed consolidated statement of financial position respectively.

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

HKFRSs (Amendments)	Improvements to HKFRSs 2010 ¹
HKAS 24 (Revised)	Related Party Disclosures ⁴
HKAS 32 (Amendment)	Classification of Rights Issues ²
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters ³
HKFRS 9	Financial Instruments ⁵
HK(IFRIC)-Interpretation ("Int") 14 (Amendment)	Prepayments of a Minimum Funding Requirement ⁴
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments ³

¹ Amendments that are effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate.

² Effective for annual periods beginning on or after 1 February 2010.

³ Effective for annual periods beginning on or after 1 July 2010.

⁴ Effective for annual periods beginning on or after 1 January 2011.

⁵ Effective for annual periods beginning on or after 1 January 2013.



3. PRINCIPAL ACCOUNTING POLICIES (Continued)

HKFRS 9 “Financial Instruments” introduces new requirements for the classification and measurement of financial assets and will be effective from 1 January 2013, with earlier application permitted. The Standard requires all recognised financial assets that are within the scope of HKAS 39 “Financial Instruments: Recognition and Measurement” to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might affect the classification and measurement of the Group’s financial assets.

The directors of the Company anticipate that the application of other new and revised standards, amendments or interpretations will have no material impact on the results and financial position of the Group.

4. SEGMENT INFORMATION

Management has determined the operating segments based on the internal reports about components of the Group that are regularly reviewed by the chief operating decision maker (the directors of the Company) for the purpose of allocating resources to segments and assessing their performance.

For management purposes, the Group is organised into four (2009: four) operating divisions – automobile equipment, buses, automobile spare parts and property investment.

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

Information regarding the above segments is reported below.

Segment revenues and results

The following is an analysis of the Group’s revenue and results by reportable segment.



4. SEGMENT INFORMATION (Continued)

For the six months ended 30 June 2010

	Automobile equipment RMB'000	Buses RMB'000	Automobile spare parts RMB'000	Property investment RMB'000	Total RMB'000
TURNOVER	86,656	53,086	109,105	4,000	252,847
RESULTS					
Segment results	2,214	(7,223)	8,103	4,517	7,611
Unallocated corporate expenses					(4,166)
Share of loss of associates					(1,460)
Interest income					616
Finance costs					(11,446)
Loss before tax					(8,845)

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 loss of associates					(954)
Interest income					1,815
Finance costs					(7,974)
Loss before tax					(20,575)



4. SEGMENT INFORMATION (Continued)

Segment assets

The following is an analysis of the Group's operating assets as at 30 June 2010 and 31 December 2009:

Segment assets

	30 June 2010 RMB'000 (Unaudited)	31 December 2009 RMB'000 (Audited)
Automobile equipment	214,944	189,584
Buses	188,823	223,361
Automobile spare parts	264,244	302,909
Property investment	106,614	126,319
Total segment assets	774,625	842,173
Unallocated corporate assets	325,154	235,075
Consolidated assets	1,099,779	1,077,248

5. TURNOVER

For the six months ended 30 June

	2010 RMB'000 (Unaudited)	2009 RMB'000 (Unaudited)
Sales of goods	240,842	116,082
Revenue from construction contracts	5,853	8,633
Commission income	2,152	1,295
Rental income	4,000	4,042
	252,847	130,052



6. FINANCE COSTS

	For the six months ended 30 June	
	2010 RMB'000 (Unaudited)	2009 RMB'000 (Unaudited)
Interest on bank overdrafts, bank and other borrowings wholly repayable within five years	7,293	5,161
Interest on discounted bills	4,153	2,642
Effective interest expense on convertible bond	–	171
	11,446	7,974

7. LOSS BEFORE TAX

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

	For the six months ended 30 June	
	2010 RMB'000 (Unaudited)	2009 RMB'000 (Unaudited)
Depreciation on property, plant and equipment	4,345	3,546
Amortisation on prepaid lease payments	485	485
Gain on disposal of property, plant and equipment	(1,495)	–



8. INCOME TAX EXPENSE (CREDIT)

	For the six months ended 30 June	
	2010 RMB'000 (Unaudited)	2009 RMB'000 (Unaudited)
Current tax:		
– PRC Enterprise Income Tax (“EIT”)	2,279	–
Deferred tax:		
– Current period	(223)	(275)
	2,056	(275)

No provision for Hong Kong Profits Tax has been made for the six months ended 30 June 2010 as the Group does not have any assessable profits subject to Hong Kong for the period (2009: nil).

In accordance with the relevant rules and regulations in the PRC, all PRC subsidiaries are subject to EIT at a rate of 25% (2009: 25%).

9. DIVIDENDS

No dividends were paid, declared or proposed during the reported period. The directors do not recommend the payment of an interim dividend.



10. LOSS PER SHARE

The calculation of the basic loss per share is based on the Group's loss attributable to owners of the Company of approximately RMB5,972,000 (period ended 30 June 2009: RMB16,479,000) and the weighted average number of ordinary shares of 1,135,819,000 (period ended 30 June 2009: 530,753,000) in issue during the period.

No diluted loss per share is presented for the periods ended 30 June 2010 and 30 June 2009 as the exercise of potential dilutive ordinary shares would result in reduction in loss per share.

11. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent approximately RMB2,679,000 (2009: RMB1,661,000) on additions to property, plant and equipment. Net carrying value of property, plant and equipment being disposed of during the period was amounted to RMB1,655,000 (2009: nil).

12. INTERESTS IN ASSOCIATES

	30 June 2010 RMB'000 (Unaudited)	31 December 2009 RMB'000 (Audited)
Cost of investment in unlisted associates	18,464	18,464
Share of post-acquisition loss and other comprehensive expenses	(1,845)	(385)
	16,619	18,079

**13. 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:

	Notes	30 June 2010 RMB'000 (Unaudited)	31 December 2009 RMB'000 (Audited)	Maximum amount owed to the Group during the period RMB'000
Yancheng Zhongda Automobile Service Co., Ltd. ¹	<i>i & ii</i>	1	13	13
Zhongda Industrial Group Corporation ("Zhongda Industrial Group") ¹	<i>i & ii</i>	6,193	10,206	10,206
Yancheng Zhongda International Trading Co. Ltd. ("International Trading") ¹	<i>i & ii</i>	66,238	104,327	104,327
Nanjing Jinlin Double-decker Bus Manufacture Co. ("Nanjing Jinlin") ³	<i>i</i>	6,984	7,678	7,678
Yancheng Celette Body Repairing Equipment Co., Ltd. ("Yancheng Celette") ²	<i>i & ii</i>	182	364	364
Yancheng Sheung Tong Auto Sales Co., Ltd. ("Yancheng Sheung Tong") ^{4,5}	<i>i & ii</i>	4	-	4
Ausen Co., Ltd. ⁴	<i>i & ii</i>	529	139	529
Jiangsu Zhongda Auto Sales Co., Ltd. ⁴	<i>i & ii</i>	-	90	90
		80,131	122,817	
Less: Impairment loss recognised		(6,984)	(7,678)	
		73,147	115,139	



13. AMOUNTS DUE FROM RELATED COMPANIES (Continued)

- ¹ Xu Lian Guo and Xu Lian Kuan 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 It is a subsidiary of Zhongda Industrial Group.
- ⁵ The name is for identified purpose only.

Notes:

- (i) The amounts are unsecured and interest-free.
- (ii) The amounts are mainly trading in nature.

The Group allows credit period of 30-180 days (2009: 30-180 days) to its related companies. The following is an aged analysis of its related companies net of impairment loss on amounts due from related companies based on the invoice date at the end of the reporting period.

	30 June 2010 RMB'000	31 December 2009 RMB'000
0-180 days	18,320	74,406
181-365 days	54,827	8,000
Over 1 year	–	32,733
Total	73,147	115,139



14. AMOUNTS DUE FROM ASSOCIATES

Amounts due from associates disclosed pursuant to Section 161B of the Hong Kong Companies Ordinance is as follows:

	30 June 2010 RMB'000 (Unaudited)	31 December 2009 RMB'000 (Audited)	Maximum amount outstanding during the period RMB'000
Zhongda EMS Limited	698	698	698
Yancheng Zhongwei Bus Manufacturing Co., Ltd. ("Zhongwei Bus")	229,236	286,785	286,785
	229,934	287,483	

The amounts are unsecured, interest-free and trading in nature.

The Group allows credit period of 365 days (2009: 365 days) to its associates. The following is an aged analysis of its associates based on the invoice date at the end of the reporting period.

	30 June 2010 RMB'000 (Unaudited)	31 December 2009 RMB'000 (Audited)
0-365 days	183,725	135,000
Over 1 year	46,209	152,483
Total	229,934	287,483



15. TRADE AND BILLS RECEIVABLES

	30 June 2010 RMB'000 (Unaudited)	31 December 2009 RMB'000 (Audited)
Trade receivables	178,327	172,061
Less: Impairment loss recognised	(93,975)	(94,460)
	84,352	77,601
Bills receivables	90	300
	84,442	77,901

The Group allows credit period ranging from 30 to 180 days (2009: 30 to 365 days) to its trade customers. The Group granted a longer credit period to legal customers as a result of financial crisis to maintain the loyal customers. The following is an aged analysis of trade receivables net of impairment loss recognised on trade receivables presented based on invoice date at the end of the reporting period.

	30 June 2010 RMB'000 (Unaudited)	31 December 2009 RMB'000 (Audited)
0-180 days	34,786	49,148
181-365 days	42,303	28,453
1-2 years	7,263	-
Total	84,352	77,601

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

	30 June 2010 RMB'000 (Unaudited)	31 December 2009 RMB'000 (Audited)
Contracts in progress at the end of the reporting period:		
Contract costs incurred plus recognised profits less recognised losses	20,846	45,295
Less: progress payments	(11,299)	(36,044)
	9,547	9,251
Analysed for reporting purposes as:		
Amounts due from customers for contract work	46,515	53,216
Amounts due to customers for contract work	(36,968)	(43,965)
	9,547	9,251

At 30 June 2010, retentions held by customers for contract work amounted to approximately RMB1,311,000 (2009: RMB2,223,000). There was no advance received from customers for contract work as at 30 June 2010 and 31 December 2009.



17. TRADE AND BILLS PAYABLES

The following is an aged analysis of trade and bills payables presented based on the invoice date at the end of the reporting period.

	30 June 2010 RMB'000 (Unaudited)	31 December 2009 RMB'000 (Audited)
0-180 days	111,091	105,764
181-365 days	13,500	10,264
1-2 years	11,896	12,446
Over 2 years	13,182	11,424
	149,669	139,898
Bills payable	195,709	168,368
	345,378	308,266

The average credit period on purchases of goods is ranging from one to six months (2009: one to six months).

18. BANK OVERDRAFTS

Bank overdrafts carried interest at market rates of 5.35% per annum (31 December 2009: ranged from 5.35% to 7.47%) during the period.

Bank overdraft denominated in RMB of approximately RMB6,113,000 (2009: RMB6,127,000) was secured by a pledged bank deposit of approximately RMB9,975,000 (31 December 2009: RMB9,994,000).

**19. BANK AND OTHER BORROWINGS**

	30 June 2010 RMB'000 (Unaudited)	31 December 2009 RMB'000 (Audited)
Bank borrowings:		
Secured	85,287	62,573
Unsecured	82,306	145,398
	167,593	207,971
Other borrowings:		
Secured	35,000	40,000
Unsecured	30,000	–
	65,000	40,000
	232,593	247,971
Carrying amounts repayable:		
– On demand or within one year	215,548	210,876
– More than one year, but not exceeding two years	17,045	37,095
	232,593	247,971
Less: Amounts due within one year shown under current liabilities	(215,548)	(210,876)
	17,045	37,095

As at 30 June 2010, the Group's bank and other borrowings were subject to fixed and variable interest rates ranging from 5.31% to 7.17% (31 December 2009: 1.30% to 9.47%) per annum.



19. BANK AND OTHER BORROWINGS (Continued)

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

	RMB'000
As at 30 June 2010 (Unaudited)	9,643
As at 31 December 2009 (Audited)	39,971

At 30 June 2010, bank loans of approximately RMB85,287,000 (31 December 2009: RMB62,573,000) were secured by certain of the Group's prepaid lease payments with net carrying values of approximately RMB7,031,000 (31 December 2009: RMB7,123,000), buildings with net carrying value of approximately RMB41,857,000 (31 December 2009: RMB42,700,000) and investment properties with fair values of approximately RMB103,226,000 (31 December 2009: RMB103,816,000).

At 30 June 2010, bank loans of approximately RMB79,170,000 (31 December 2009: RMB88,220,000) were secured by corporate guarantees issued by an independent third party and Zhongda Industrial Group, a related company of the Company, and certain assets of Zhongda Industrial Group.

At 30 June 2010, the other loan of RMB35,000,000 (31 December 2009: RMB40,000,000) was secured by prepaid lease payments of the Group with net carrying value of approximately RMB34,998,000 (31 December 2009: RMB35,391,000) and was secured by corporate guarantee issued by Zhongda Industrial Group.

**20. SHARE CAPITAL**

	Number of shares	HK\$'000	Equivalent to RMB'000
Ordinary shares of HK\$0.10 each			
<i>Authorised:</i>			
At 1 January 2009	1,000,000,000	100,000	
Additions	9,000,000,000	900,000	
At 31 December 2009 , 1 January 2010 and 30 June 2010	10,000,000,000	1,000,000	
<i>Issued and fully paid:</i>			
At 1 January 2009	529,420,200	52,942	55,074
Shares repurchased and cancelled	(274,000)	(27)	(24)
Exercise of share options	15,862,227	1,586	1,388
Shares issued under open offer	319,887,744	31,989	27,962
Bonus shares issued under open offer	63,977,548	6,398	5,592
Placing of new shares	105,000,000	10,500	9,174
At 31 December 2009 and 1 January 2010	1,033,873,719	103,388	99,166
Placing of new shares	18,450,000	1,845	1,607
At 30 June 2010	1,052,323,719	105,233	100,773



21. RELATED PARTY TRANSACTIONS

(A) During the six months ended 30 June 2010, the Group had the following transactions with its related companies:

	For the six months ended 30 June	
	2010 RMB'000 (Unaudited)	2009 RMB'000 (Unaudited)
Transactions with Zhongda Industrial Group ⁴ :		
– Service fee expense (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 (e)	–	18,460
Transactions with Yancheng Celette ⁵ :		
– Purchases of products (f)	5,418	2,744
– Sales of products and raw materials (g)	3,317	1,815
Transactions with Zhongwei Bus ² :		
– Sales of products and raw materials (h)	106,431	57,706
– Rental income for investment properties (i)	4,000	4,000
Transactions with International Trading ⁴ :		
– Sales commission income (j)	2,152	1,295
Transactions with Jiangsu Zhongda Sankyo Automobile Equipment Co., Ltd. ¹ :		
– Rental expense for office premises (k)	150	150
Transactions with Ausen Co., Ltd. ³ :		
– Sales of products (l)	–	1,404
Transactions with Yancheng Sheung Tong ³ :		
– Sales of raw materials (m)	5	179



21. RELATED PARTY TRANSACTIONS (Continued)

- (A) During the six months ended 30 June 2010, the Group had the following transactions with its related companies: (Continued)

- ¹ It is an associate of Zhongda Industrial Group.
² It is an associate of the Group.
³ It is a subsidiary of Zhongda Industrial Group.
⁴ Xu Lian Guo and Xu Lian Kuan are the common directors with beneficial interests.
⁵ Xu Lian Guo and Xu Lian Kuan are the common directors.

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 Group 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.
- (b) Pursuant to a patent agreement dated 31 August 2001, Zhongda Industrial Group 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 Group 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) For the six months ended 30 June 2010, the Group completed the acquisition of 20% equity interest in Zhongwei Bus from Zhongda Industrial Group at a consideration of approximately RMB18,460,000.
- (f) The purchase terms were agreed by both parties.
- (g) The selling 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 Yancheng Celette.



21. RELATED PARTY TRANSACTIONS (Continued)

- (A) During the six months ended 30 June 2010, the Group had the following transactions with its related companies: (Continued)
- (h) The selling 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.
 - (i) (i) 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. A supplemental agreement was signed on 1 January 2010 to extend the leasing period from 11 July 2010 to 31 December 2010.
 - (ii) Pursuant to a rental agreement, the rental of land and buildings is charged at RMB5,000,000 per annum for a period from 1 May 2008 to 31 December 2009. A supplemental agreement was signed on 1 January 2010 to extend the leasing period from 31 December 2009 to 31 December 2010.
 - (j) Pursuant to an exclusive agency agreement dated 8 April 2008, International Trading has appointed Zhongda International Trading Limited, a subsidiary of the Company, 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 per cent on the selling prices of the Products.
 - (k) Pursuant to a rental agreement, the rental of office premises was charged at approximately RMB25,000 per month.
 - (l) Sales to Ausen Co., Ltd. of nil (2009: approximately RMB1,404,000) were made on mutually agreed terms.
 - (m) For the six months ended 30 June 2010, sales of approximately RMB5,000 (2009: RMB179,000) were made with Yancheng Sheung Tong. The sales were made on mutually agreed terms.

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

(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 2010 and 2009 are set out below:

	For the six months ended 30 June	
	2010	2009
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Fees	1,874	1,784
Other emoluments		
– Salaries and allowances	270	182
– Contributions to pension schemes	5	39
	2,149	2,005

22. OPERATING LEASESThe Group as lessee

	For the six months ended 30 June	
	2010	2009
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Minimum lease payments in respect of rented premises paid under operating leases during the period	483	206



22. OPERATING LEASES (Continued)

The Group as lessee (Continued)

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	30 June 2010 RMB'000 (Unaudited)	31 December 2009 RMB'000 (Audited)
Within one year	132	136
In the second to fifth year inclusive	2	66
	134	202

Operating lease payments represent rentals payable by the Group for certain of its office premises. Leases are negotiated for an average term of three years (2009: two years) and rentals are fixed during the relevant lease periods.

The Group as lessor

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease receipts:

	30 June 2010 RMB'000 (Unaudited)	31 December 2009 RMB'000 (Audited)
Within one year	4,000	1,842

Property rental income earned during the period was approximately RMB4,000,000 (2009: RMB4,042,000). The properties are expected to generate rental yield of 3.9% (2009: 3.3%) on an ongoing basis. Lease and rentals are negotiated and fixed for an average of one year (2009: two to three years).



23. CAPITAL COMMITMENTS

	30 June 2010 RMB'000 (Unaudited)	31 December 2009 RMB'000 (Audited)
Contracted for but not provided in respect of		
– acquisition of property, plant and equipment	10,914	10,836
– capital contribution on interest in an associate	4,141	4,162
	15,055	14,998

24. EVENTS AFTER THE REPORTING PERIOD

- (a) On 6 July 2010, the Company granted 19,212,000 share options to the directors of the Company at the exercise price of HK\$0.588 per share under the Company's share option scheme adopted on 31 May 2007. The share options shall entitle the directors of the Company to subscribe for a total of 19,212,000 new shares of HK\$0.1 each in the capital of the Company. Details are set out in the Company's announcement dated 6 July 2010.
- (b) On 8 July 2010, the Company and the placing agent entered into a placing agreement (the "Placing Agreement"). Pursuant to the Placing Agreement, the placing agent agreed to place up to 206,500,000 warrants at an issue price of HK\$0.01 and the subscription price of HK\$0.59 (subject to adjustment) per warrant. Details are set out in the Company's announcement dated 8 July 2010. The placing of warrants has not yet been completed at the date of this report.



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 scheme mandate limit of the New Scheme was refreshed at the special general meeting of the Company held on 17 March 2010. The total number of shares of the Company may be allotted and issued upon the share options to be granted under the refreshed scheme mandate limit of the New Scheme must not in aggregate exceed 103,387,371 shares, being 10% of the issued share capital of the Company as at the date of the special general meeting.

The movements in the share options granted under the share option schemes of the Company during the six months ended 30 June 2010 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 2010	Exercised during the period	As at 30 Jun 2010		
Eligible persons	5 Feb 2007	5,931,094	-	5,931,094	0.314	5 Aug 2007 to 4 Aug 2012
	13 Feb 2007	5,931,094	-	5,931,094	0.423	13 Aug 2007 to 12 Aug 2012
TOTAL		11,862,188	-	11,862,188		

As at 30 June 2010, the outstanding options entitling the eligible persons under the Old Scheme to subscribe for an aggregate of 11,862,188 shares, representing approximately 1.1% of the issued share capital of the Company.

**(b) New Scheme**

Category of participant	Date of offer	Number of share options			Exercise price per share HK\$	Exercisable period
		As at 1 Jan 2010	Exercised/ Lapsed during the period	As at 30 Jun 2010		
Directors						
Mr. Zhang Yuqing	13 Nov 2009	917,011	-	917,011	0.792	13 Nov 2009 to 12 Nov 2014
Mr. Kwok Ming Fai	13 Nov 2009	917,011	-	917,011	0.792	13 Nov 2009 to 12 Nov 2014
		1,834,022	-	1,834,022		
Eligible participants	13 Nov 2009	45,850,575	-	45,850,575	0.792	13 Nov 2009 to 12 Nov 2014
	TOTAL	47,684,597	-	47,684,597		

As at 30 June 2010, the outstanding options entitling the eligible persons under the New Scheme to subscribe for an aggregate of 47,684,597 shares, representing approximately 4.5% of the issued share capital of the Company.

Save as disclosed above, at no time during the six months ended 30 June 2010 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 2010, 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	-	294,004,000	-	294,004,000	27.9%
Mr. Xu Lian Kuan	1	-	294,004,000	-	294,004,000	27.9%
Mr. Zhang Yuqing	2	30,272,000	-	-	31,189,011	3.0%
		-	-	917,011		
Mr. Kwok Ming Fai	3	-	-	917,011	917,011	0.1%

Notes:

- The 294,004,000 shares are held by Zhong Da (BVI) Limited which is beneficially owned as to 57.22% by Mr. Xu Lian Guo and as to 42.78% by Mr. Xu Lian Kuan, respectively.
- The share options were granted to Mr. Zhang Yuqing to subscribe for 917,011 shares at an exercise price of HK\$0.792 per share.
- The share options were granted to Mr. Kwok Ming Fai to subscribe for 917,011 shares at an exercise price of HK\$0.792 per share.

**(ii) Associated Corporation**

Name of associated corporation	<i>Note</i>	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 2010, 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 2010, the following person had interests in the shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO:

Name of shareholder	Capacity	<i>Note</i>	Number of shares held	% of the issued share capital
Zhong Da (BVI) Limited	Beneficial owner	1	294,004,000	27.9%

Note:

1. The 294,004,000 shares are held by Zhong Da (BVI) Limited which is beneficially owned as to 57.22% by Mr. Xu Lian Guo and as to 42.78% by Mr. Xu Lian Kuan, respectively.



Save as disclosed above, as at 30 June 2010, 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

Neither the Company nor its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2010.

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 2010.

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 2010.

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 2010 have been reviewed by the audit committee of the Company.



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, 30 August 2010