



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

(incorporated in Bermuda with limited liability)
(stock code: 909)

2008 Interim Report



中大汽车



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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 & QUALIFIED ACCOUNTANT

Mr. Fu Yan Ming

REGISTERED OFFICE

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2 Church Street
Hamilton HM11
Bermuda

HEAD OFFICE

No. 100 Kaifang Dadao Road
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
Fubon Bank (Hong Kong) Limited
Hang Seng Bank, Limited
The Hongkong and Shanghai Banking Corporation Limited
Agricultural Bank of China
China Construction Bank
China Minsheng Banking Corp. Ltd.

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

Sidley Austin
Tsun & Partners

STOCK CODE

909



MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

Revenue

During the period under review, the Group's turnover recorded a substantial growth by 163.7% to approximately RMB299.5 million. It was attributable to (i) the commencement of revenue stream from Zhongda International Trading Ltd., and (ii) the contribution of revenue from Yancheng Zhongda Automobiles Equipment Co. Ltd., the new subsidiary of the Group which is engaged in the trading of automobile spare parts.

Automobile Repair and Maintenance Equipment

During the period, export sales of the Group comprising mainly automobile spray booths and car lifters were approximately RMB42.0 million, representing a slight decrease of 4.5% when compared with previous period due to increase in market price competition. The overall turnover was approximately RMB105.1 million which slightly increased by 1.0% when compared to the last corresponding period. For the time being, the Group will continue to develop new products through our investment in research and development in order to retain our competitiveness. Therefore, the core business is expected to provide stable and recurring income in the coming year.

Trading of Automobile Spare Parts

Yancheng Zhongda Automobiles Equipment Co. Ltd. had been established to centralize the procurement for both the Group and the Zhongda Industrial Group Corporation's ("ZIG") purchase of raw materials, parts and components from suppliers. The benefit of synergy has been realized during the period under review. The turnover of this segment was approximately RMB109.6 million. Going forward, we are planning to upgrade this platform to serve our affiliate companies (such as our Vietnam Joint-venture) and outside customers at a later stage.

Automobile (Double-Decker) Manufacturing

In the first half of 2008, Nanjing Zhongda Jinling Double-Decker Bus Manufacture Co. Ltd. has contributed revenue of approximately RMB84.8 million, accounting for approximately 28.3% 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. In view of the production capacity increased with the completion of the first phase of our new plant, Zhongda Jinling will further exploit the overseas market, especially double-deckers in order to match the PRC government's policy in promotion of export sales. Currently, our double-decker has been sold to Egypt, Doha and United Arab Emirates.



Vietnam Joint Venture

In response to the recent downturn of economy and substantial depreciation of currency in Vietnam, the Group has taken a prudent approach in the establishment of a joint venture for chassis and special purpose vehicle manufacturing with Vietnam Motors Industry Corporation (Vinamotor). Nevertheless, we will continue to sell complete knock-down ("CKD") commercial vehicles to Vinamotor to fulfill their market demand.

Co-operation with ZIG

On 8 April 2008, the Group signed an exclusive agency agreement with Zhongwei Bus ("Zhongwei"), pursuant to which Zhongwei appointed the Group's subsidiary as exclusive agent to sell its products in regions outside the PRC. On 24 July 2008, the Group has announced to acquire 20% shareholdings of Zhongwei. This arrangement is expected to create further synergy and provide a win-win situation to both parties. Going ahead, the Group will continue to work closely with ZIG step by step to look for further possible co-operations so that the Group's revenue stream can be enlarged.

FINANCIAL REVIEW AND LIQUIDITY

Gross Margin

As affected by (i) the weighted average of gross profit margin of automobile manufacturing and auto parts trading business with the original automobile maintenance equipment business, (ii) the continuing increased in the price of steel price and other raw materials, and (iii) dilution effect on the increase in proportion of revenue contribution from automobile manufacturing and auto parts trading business, the gross profit margin of the period has declined from 24.3% to 14.6% when compared with the same period last year.

Net Profit

Net profit reflected a growth of 62.6% up to approximately RMB16.5 million when compared with the last period. The net profit margin was reduced to 5.5% from 8.9% during the period under review. Basic earnings per share for the period were RMB3.43 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 acceptable. Regarding the current assets, approximately 28.7% were cash and bank deposit. This level was considered as sufficient.

Leverage

Net gearing ratio (defined as “Total bank debts – Cash available/Total Net Worth”) was improved to 0.03x in the period from 0.23x as at 31 December 2007. The Group will take effort to retain its leverage at a satisfactory level.

As at 30 June 2008, cash and bank balances of the Group amounted to approximately RMB157,656,000 (31 December 2007: RMB89,841,000). Cash is mainly denominated in Renminbi. There was no long term loan (31 December 2007: RMB20,000,000) and the short term bank loans was amounted to approximately RMB166,929,000 (31 December 2007: RMB147,165,000) which representing an increase of approximately RMB19,764,000.

The interest rates of bank borrowings ranged between 6.36% and 8.96% per annum (31 December 2007: between 6.90% and 8.75%). 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 2008, the net asset value of the Group amounted to approximately RMB344,820,000 (31 December 2007: RMB336,385,000), representing an increase of approximately 3.7%. Net current assets amounted to approximately RMB52,865,000 (31 December 2007: RMB83,667,000), an decrease of approximately RMB30,802,000 from the last year.



PROSPECT

In recent years, the PRC government has implemented a series of policies to support the automobile industry and encourage development of vehicle export (especially domestic brand), auto parts and the automobile after-sales-service industry. We will continue to ride on this tide by continuing adjust our business and operation strategies in response to the ever-changing environment in order to maximize the Group's profit.

The recent global economic turmoil triggered by US subprime mortgage would definitely affect all sectors in the coming years. Nevertheless, we expect the demand for commercial vehicles was 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. Recently we have concluded bulk sales orders of coaches to Egypt, Russia and Algeria. We will replicate our Vietnam business model when individual countries environment become favourable.

Looking ahead, the Group will ride on our brand to push forward the strategy of active expansion with steady growth and seek to capture more new business opportunities. Thereby, it will consolidate our leadership in the PRC automobile repair and maintenance equipment manufacturing industry and generate satisfactory return to our stakeholders.

EMPLOYEE REMUNERATION POLICIES

As at 30 June 2008, the Group employed a total of 1,300 (31 December 2007: 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.



REPORT ON REVIEW OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION



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 reviewed the condensed consolidated interim financial information set out on pages 9 to 33 which comprises the condensed consolidated balance sheet of Zhongda International Holdings Limited (the "Company") as of 30 June 2008 and the related condensed consolidated income statement, condensed consolidated statement of changes in equity and condensed consolidated cash flow statement for the six-month period then ended and certain explanatory notes. The Rules Governing the Listing of Securities on the Main Board of The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review, 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.



SCOPE OF REVIEW

We conducted our review in accordance with 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 of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated 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

23 September 2008



**CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2008**

		For the six months ended 30 June	
		2008	2007
<i>Notes</i>		RMB'000 (Unaudited)	RMB'000 (Unaudited)
Turnover	(4)	299,466	113,544
Cost of sales		(255,707)	(86,006)
Gross profit		43,759	27,538
Other revenue		16,569	6,756
Selling and distribution expenses		(9,065)	(8,724)
Administrative and other operating expenses		(25,505)	(9,026)
Finance costs	(5)	(7,117)	(6,229)
Profit before taxation	(6)	18,641	10,315
Taxation	(7)	(2,169)	(182)
Profit for the period		16,472	10,133
Attributable to:			
Equity holders of the Company		18,181	9,156
Minority interests		(1,709)	977
		16,472	10,133
Dividends	(8)	–	–
Earnings per share	(9)	RMB	RMB
– Basic		3.43 cents	2.18 cents
– Diluted		3.36 cents	2.05 cents



CONDENSED CONSOLIDATED BALANCE SHEET
AS AT 30 JUNE 2008

	<i>Notes</i>	30 June 2008 RMB'000 (Unaudited)	31 December 2007 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment	(10)	103,372	101,396
Prepaid lease payments		43,000	55,629
Investment properties		125,342	96,889
Investment in an associate	(11)	–	–
Prepayment for an investment in an associate		474	474
Available-for-sale investments		900	900
Deferred tax assets		18,867	17,430
		291,955	272,718
Current assets			
Inventories		42,858	48,736
Amount due from an associate		723	–
Amounts due from related companies	(12)	170,497	123,948
Trade and bills receivables	(13)	115,763	85,255
Prepaid lease payments		970	1,244
Amount due from customers for contract work	(14)	29,267	25,594
Prepayments and other receivables		30,844	34,199
Restricted deposit placed in a financial institution		1,400	15,802
Pledged bank deposit		9,991	16,159
Restricted bank balances		116,660	4,161
Bank balances and cash		29,605	53,719
		548,578	408,817



		30 June 2008	31 December 2007
	<i>Notes</i>	RMB'000 (Unaudited)	RMB'000 (Audited)
Current liabilities			
Amounts due to customers for contract work	(14)	2,788	10,488
Trade and bills payables	(15)	255,833	83,228
Advance receipt from customers		20,896	38,152
Other payables and accruals		24,810	26,307
Amount due to an associate		–	4
Amounts due to related companies		1,333	386
Amounts due to directors		5,687	5,008
Tax payable		17,437	14,412
Bank overdrafts	(16)	9,054	9,165
Bank and other borrowings – due within one year	(17)	157,875	138,000
		495,713	325,150
Net current assets		52,865	83,667
Total assets less current liabilities		344,820	356,385
Non-current liability			
Bank and other borrowings – due after one year	(17)	–	20,000
		344,820	336,385
Capital and reserves			
Share capital	(18)	55,125	55,125
Reserves		262,396	252,252
Equity attributable to equity holders of the Company		317,521	307,377
Minority interests		27,299	29,008
		344,820	336,385



**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2008**

Attributable to equity holders of the Company

	Share capital RMB'000	Share premium 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
At 1 January 2007	42,386	17,073	2,720	2,720	-	(1,152)	93,356	157,103	16,011	173,114
- Exchange difference arising on translation of the financial statements of foreign companies of the Group	-	-	-	-	-	(318)	-	(318)	-	(318)
- Profit for the period	-	-	-	-	-	-	9,156	9,156	977	10,133
- Total recognised income and expense for the period	-	-	-	-	-	(318)	9,156	8,838	977	9,815
- Capital contributions from minority shareholders of subsidiaries	-	-	-	-	-	-	-	-	2,287	2,287
- Placing of new shares	10,801	116,147	-	-	-	-	-	126,948	-	126,948
- Share issue expenses	-	(14,119)	-	-	-	-	-	(14,119)	-	(14,119)
At 30 June 2007 and 1 July 2007	53,187	119,101	2,720	2,720	-	(1,470)	102,512	278,770	19,275	298,045
- Exchange difference arising on translation of the financial statements of foreign companies of the Group	-	-	-	-	-	(6,408)	-	(6,408)	-	(6,408)
- Profit for the period	-	-	-	-	-	-	20,655	20,655	9,726	30,381
- Total recognised income and expense for the period	-	-	-	-	-	(6,408)	20,655	14,247	9,726	23,973
- Capital contributions from minority shareholders of subsidiaries	-	-	-	-	-	-	-	-	7	7
- Recognition of equity-settled share-based payments	-	-	-	-	7,418	-	-	7,418	-	7,418
- Proceeds from shares issued under share option scheme	1,938	8,776	-	-	(3,772)	-	-	6,942	-	6,942
At 31 December 2007 and 1 January 2008	55,125	127,877	2,720	2,720	3,646	(7,878)	123,167	307,377	29,008	336,385



Attributable to equity holders of the Company										
	Share capital	Share premium	Reserve fund	Enterprise expansion reserves	Share options reserve	Exchange translation reserve	Retained profits	Total	Minority interests	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
- Exchange difference arising on translation of the financial statements of foreign companies of the Group	-	-	-	-	-	(8,037)	-	(8,037)	-	(8,037)
- Profit for the period	-	-	-	-	-	-	18,181	18,181	(1,709)	16,472
- Total recognised income and expense for the period	-	-	-	-	-	(8,037)	18,181	10,144	(1,709)	8,435
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 net income as reported in their statutory financial statements for the reserve fund and enterprise expansion fund. Such amounts that appropriated are determined at the discretion of the Board of Directors. These reserves cannot be used for purposes other than those for which they are created and are not distributable as cash dividends.

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2008**

	For the six months ended 30 June	
	2008 RMB'000 (Unaudited)	2007 RMB'000 (Unaudited)
Net cash generated from/(used in) operating activities	92,919	(14,457)
Net cash used in investing activities	(103,558)	(7,818)
Net cash (used in)/generated from financing activities	(7,242)	120,036
Net (decrease)/increase in cash and cash equivalents	(17,881)	97,761
Cash and cash equivalents at beginning of the period	44,554	17,695
Effect of foreign exchange rate changes	(6,122)	(289)
Cash and cash equivalents at end of the period	20,551	115,167
Analysis of the balances of cash and cash equivalents at end of the period		
Bank balances and cash	29,605	115,167
Bank overdrafts	(9,054)	–
	20,551	115,167



**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
FOR THE SIX MONTHS ENDED 30 JUNE 2008**

1. GENERAL

The condensed consolidated interim financial information has been prepared in accordance with the applicable disclosure requirements set out in Appendix 16 to the Rules Governing the Listing of Securities on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and with the Hong Kong Accounting Standard ("HKAS") No.34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The condensed consolidated interim financial information does not include all the information and disclosure required in the annual consolidated financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2007.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies used in the condensed consolidated interim financial information are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2007.

During the six months ended 30 June 2008, the Group has applied, for the first time, the following new and revised Hong Kong Financial Reporting Standards ("HKFRSs") (which include all HKFRSs, HKASs and Interpretations) issued by the HKICPA which are relevant to the Group and effective for the accounting periods beginning on or after 1 January 2008:

HK(IFRIC)-Interpretation ("Int") 11	HKFRS 2 – Group and Treasury Share Transactions
HK(IFRIC)-Int 12	Service Concession Arrangements
HK(IFRIC)-Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The application of the above revised Interpretations has had no material impact on the accounting policies of the Group in the condensed consolidated interim financial information.



The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in the condensed consolidated interim financial information.

HKAS 1 (Revised)	Presentation of Financial Statements ¹
HKAS 23 (Revised)	Borrowing Costs ¹
HKAS 27 (Revised)	Consolidated and Separate Financial Statements ²
HKAS 32 and HKAS 1 (Amendment)	Puttable Financial Instruments and Obligations Arising on Liquidation ¹
HKFRS 2 (Amendment)	Share-based Payments – Vesting Conditions and Cancellation ¹
HKFRS 3 (Revised)	Business Combinations ²
HKFRS 8	Operating Segments ¹
HK(IFRIC)-Int 2 (Amendment)	Members' Shares in Co-operative Entities and Similar Instruments ¹
HK(IFRIC)-Int 13	Customer Loyalty Programmes ³
HK(IFRIC)-Int 15	Agreements for the Construction of Real Estate ¹
HK(IFRIC)-Int 16	Hedges of a Net Investment in a Foreign Operation ⁴

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

² Effective for annual periods beginning on or after 1 July 2009.

³ Effective for annual periods beginning on or after 1 July 2008.

⁴ Effective for annual periods beginning on or after 1 October 2008.

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, it has concluded that while the adoption of HKAS 1 (Revised) and HKFRS 8 may result in new or amended disclosures, these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

3. SEGMENT INFORMATION

For management purposes, the Group is currently organised into three (2007: two) operating divisions – automobile equipment, bus and automobile spare parts. These divisions are the basis on which the Group reports its primary segment information.

Principal activities are as followings:

Automobile equipment	–	manufacture and sales of automobile equipment
Bus	–	manufacture and sales of buses
Automobile spare parts	–	trading of automobile spare parts



Segment information for the six months ended 30 June 2008 and 2007 is as follows:

Business segments

For the six months ended 30 June 2008

	Automobile equipment RMB'000	Bus RMB'000	Automobile spare parts RMB'000	Total RMB'000
TURNOVER	105,111	84,779	109,576	299,466
RESULTS				
Segment results	8,457	4,320	4,502	17,279
Unallocated corporate expenses				(4,008)
Unallocated other revenue				11,860
Interest income				627
Finance costs				(7,117)
Profit before taxation				18,641
Taxation				(2,169)
Profit for the period				16,472

For the six months ended 30 June 2007

	Automobile equipment RMB'000	Bus RMB'000	Total RMB'000
TURNOVER	104,107	9,437	113,544
RESULTS			
Segment results	11,691	535	12,226
Unallocated corporate expenses			(2,438)
Unallocated other revenue			4,856
Interest income			1,900
Finance costs			(6,229)
Profit before taxation			10,315
Taxation			(182)
Profit for the period			10,133



4. TURNOVER

	For the six months ended 30 June	
	2008 RMB'000 (Unaudited)	2007 RMB'000 (Unaudited)
Sales of goods	287,369	91,431
Revenue from construction contracts	12,097	22,113
	299,466	113,544

5. FINANCE COSTS

	For the six months ended 30 June	
	2008 RMB'000 (Unaudited)	2007 RMB'000 (Unaudited)
Interest on bank and other borrowings wholly repayable within five years	7,117	6,229

6. PROFIT BEFORE TAXATION

Profit before taxation has been arrived at after charging/(crediting):

	For the six months ended 30 June	
	2008 RMB'000 (Unaudited)	2007 RMB'000 (Unaudited)
Depreciation on property, plant and equipment	3,524	2,120
Amortisation on prepaid lease payments on land use rights	485	637
Gain on disposal of property, plant and equipment	60	833
Allowance for bad and doubtful debts	1,439	-
Increase in fair value of investment properties	(11,860)	-
Rental income from investment properties	(2,423)	(898)
Written back of allowance for bad and doubtful debts	-	(1,790)



7. TAXATION

	For the six months ended	
	30 June	
	2008 RMB'000 (Unaudited)	2007 RMB'000 (Unaudited)
The charge comprises:		
– PRC Enterprise Income Tax (“EIT”)	2,509	282
– Hong Kong Profits Tax	1,097	–
	3,606	282
Deferred tax		
– Current period	(1,437)	(100)
	2,169	182

Hong Kong Profits Tax is calculated at 16.5% on the estimated assessable profits for the period. No Hong Kong Profits Tax had been provided for the previous period as the Group had no assessable profits in Hong Kong for that period.

On 16 March 2007, the Fifth Plenary Session of the Tenth National People’s Congress passed the Corporate Income Tax Law of the PRC (“New Tax Law”) for unified tax rate arrangements among different types of the PRC entities which results in a reduction of income tax rate from 33% to 25% with effect from 1 January 2008. The State Council of the PRC passed an implementation guidance note (“Implementation Guidance”) on 26 December 2007, which sets out details of how existing preferential income tax rates will be adjusted to the standard rate of 25%. According to the New Tax Law and the Implementation Guidance, EIT for all the subsidiaries of the Company which are established in the PRC will be adjusted to the standard rate of 25% with effect from 1 January 2008. The new tax rate of 25% has been applied in the measurement of these subsidiaries’ deferred tax assets and liabilities as at 30 June 2008.

Except for Nanjing Zonda Zhentong Auto Maintenance Equipment Technical Service Co., Ltd., all other PRC subsidiaries are entitled to the benefit of full exemption from EIT for the first two years commencing on the profit-making year followed by 50% reduction in EIT for each of the subsequent three years. At 30 June 2008, one subsidiary of the Company is entitled to EIT exemption for year 2008 and 2009 and 50% reduction in EIT for years from 2010 to 2012, another two subsidiaries of the Company are entitled to EIT exemption for the year 2008 and 50% reduction in EIT for the years from 2009 to 2011, one subsidiary is entitled to 50% reduction in EIT for the year 2008. The application of the New Tax Law will not affect the entitlement of the tax benefits for these subsidiaries.



Taxation arising in other jurisdictions is calculated at the rate prevailing in the relevant jurisdictions.

8. DIVIDENDS

The directors have resolved not to declare any interim dividend for the six months ended 30 June 2008 (2007: Nil).

9. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the Group's profit attributable to equity holders of the Company of approximately RMB18,181,000 (2007: RMB9,156,000) and the weighted average number of ordinary shares of 530,004,200 (2007: 420,769,027) in issue during the period.

The calculation of the diluted earnings per share is based on the Group's profit attributable to equity holders of the Company of approximately RMB18,181,000 (2007: RMB9,156,000) and the weighted average number of ordinary shares of 540,516,316 (2007: 446,650,493) in issue after adjusting for the effect of all dilutive potential ordinary shares during the period.

10. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent approximately RMB12,176,000 (2007: RMB9,470,000) on additions to property, plant and equipment and construction-in-progress. Net carrying value of property, plant and equipment being disposed of during the period was amounted to approximately RMB585,000 (2007: RMB1,431,000).

11. INVESTMENT IN AN ASSOCIATE

	30 June 2008 RMB'000 (Unaudited)	31 December 2007 RMB'000 (Audited)
Cost of investment in an unlisted associate	4	4
Share of post acquisition loss	(4)	(4)
	—	—

The Group has 40% equity interest in an unlisted associate which is incorporated in Hong Kong.



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 2008 RMB'000 (Unaudited)	31 December 2007 RMB'000 (Audited)	Maximum amount owed to the Group during the period RMB'000
Yancheng Zhongwei Bus Manufacturing Co., Ltd. ("Zhongwei Bus") ¹	<i>i & ii</i>	145,702	101,068	145,714
Yancheng Zhongda Automobile Service Co., Ltd. ¹	<i>i & ii</i>	8	4	8
Zhongda Industrial Group Corporation ("Zhongda Industrial") ¹	<i>i & iii</i>	9,853	14,473	14,473
Yancheng Zhongda International Trading Co. Ltd. ("International Trading") ¹	<i>i & ii</i>	12,414	3,321	12,414
Nanjing Jinlin Double-decker Bus Manufacture Co. ("Nanjing Jinlin") ³	<i>i & ii</i>	2,350	4,990	4,990
Yancheng Celette Body Repairing Equipment Co., Ltd. ("Yancheng Celette") ²	<i>i & ii</i>	167	-	174
鹽城市上通汽車銷售有限公司 ⁶	<i>i & ii</i>	3	-	3
Yancheng Zhongda Sankyo Automobile Equipment Co. Ltd. ("Zhongda Sankyo") ⁴	<i>i & ii</i>	-	10	10
Ausen Co., Ltd. ⁵	<i>i & ii</i>	-	82	82
		170,497	123,948	177,868

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., a minority shareholder of a subsidiary of the Company.

⁴ Xu Lian Kuan is the common director.

⁵ It is a subsidiary of Zhongda Industrial.

⁶ 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. TRADE AND BILLS RECEIVABLES**

	30 June 2008 RMB'000 (Unaudited)	31 December 2007 RMB'000 (Audited)
Trade receivables	169,510	137,451
Less: Allowance for bad and doubtful debts	56,305	54,866
	113,205	82,585
Bills receivables	2,558	2,670
	115,763	85,255

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 2008 RMB'000 (Unaudited)	31 December 2007 RMB'000 (Audited)
0-180 days	66,855	56,893
181-365 days	22,269	6,083
1-2 years	23,874	19,494
Over 2 years	207	115
Total	113,205	82,585



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

	30 June 2008 RMB'000 (Unaudited)	31 December 2007 RMB'000 (Audited)
Contracts in progress at the balance sheet date:		
Contract costs incurred plus recognised profits less recognised losses	123,243	176,356
Less: progress payments	96,764	161,250
	26,479	15,106
Analysed for reporting purposes as:		
Amounts due from customers for contract work	29,267	25,594
Amounts due to customers for contract work	(2,788)	(10,488)
	26,479	15,106

During the period, retentions held by customers for contract works amounted to approximately RMB6,455,000 (31 December 2007: RMB11,184,000). There was no advance received from customers for contract work as at 30 June 2008 (31 December 2007: Nil).



15. TRADE AND BILLS PAYABLES

An ageing analysis of trade and bills payables is as follows:

	30 June 2008 RMB'000 (Unaudited)	31 December 2007 RMB'000 (Audited)
0-180 days	91,795	50,509
181-365 days	862	6,971
1-2 years	3,596	1,815
2-3 years	3,689	2,717
Over 3 years	1,681	1,253
	101,623	63,265
Bills payable	154,210	19,963
	255,833	83,228

The average credit period on purchases of goods is ranging from 1-6 months.

16. BANK OVERDRAFTS

Bank overdrafts carried interest at market rates which range from 6.36% to 7.23% per annum (31 December 2007: 6.21% to 6.57%) during the period. All bank overdrafts are denominated in RMB and secured by a bank deposit of USD1.3 million (equivalent to approximately RMB8,877,000) (31 December 2007: USD1.3 million).



17. BANK AND OTHER BORROWINGS

	30 June 2008 RMB'000 (Unaudited)	31 December 2007 RMB'000 (Audited)
Bank loans:		
Secured	68,305	64,780
Unsecured	69,570	73,220
	137,875	138,000
Other loans – secured	20,000	20,000
	157,875	158,000
Carrying amount repayable:		
– on demand or within one year	157,875	138,000
– more than one year, but not exceeding two years	–	20,000
	157,875	158,000
Less: Amounts due within one year shown under current liabilities	157,875	138,000
	–	20,000

As at 30 June 2008, the Group's bank and other borrowings were subject to variable interest rates ranging from 7.41% to 8.96% (31 December 2007: 6.90% to 8.75%) 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 2008	1,000
As at 31 December 2007	–



At 30 June 2008, bank loans of approximately RMB68.3 million (31 December 2007: RMB64.8 million) were secured by certain of the Group's land use rights and buildings with aggregate net carrying values of approximately RMB24.4 million (31 December 2007: RMB32.2 million) and investment properties with fair values of approximately RMB125.3 million (31 December 2007: RMB65.2 million).

At 30 June 2008, bank loans of approximately RMB39.6 million (31 December 2007: RMB42.2 million) were secured by corporate guarantees issued by an independent third party, a related company and certain assets of a related company.

At 30 June 2008, bank loan of approximately RMB30 million (31 December 2007: RMB31 million) was neither secured nor guaranteed.

At 30 June 2008, the other loan of RMB20 million (31 December 2007: RMB20 million) was secured by land use rights of the Group with net carrying value of approximately RMB37 million (31 December 2007: RMB37 million).

18. SHARE CAPITAL

	Number of shares	HK\$'000	Equivalent to RMB'000
<i>Authorised:</i>			
Ordinary shares of HK\$0.1 each	<u>1,000,000,000</u>	<u>100,000</u>	
<i>Issued and fully paid:</i>			
Ordinary shares of HK\$0.1 each at			
1 January 2007	400,004,000	40,000	42,386
Placing of new shares	110,000,000	11,000	10,801
Exercise of share options	20,000,200	2,000	1,938
At 31 December 2007, 1 January 2008 and 30 June 2008	<u>530,004,200</u>	<u>53,000</u>	<u>55,125</u>



19. RELATED PARTY TRANSACTIONS

(A) During the six months ended 30 June 2008, the Group had the following transactions with its related companies:

	For the six months ended 30 June	
	2008 RMB'000 (Unaudited)	2007 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
Transactions with Yancheng Celette:		
– Purchases of products (e)	3,196	4,273
– Sales of products and raw materials (f)	3,363	436
Transactions with Zhongwei Bus:		
– Sales of products and raw materials (g)	106,238	386
– Rental income for land (h)	1,500	498
– Rental income for land and buildings (i)	833	–
Transactions with Jiangsu Jinling Transportation Group Co., Ltd. ² :		
– Rental income for property, plant and equipment (j)	–	400
Transactions with International Trading:		
– Sales of products (k)	3,754	–
– Consultancy fee income (l)	–	439
– Commission income (m)	7,371	–
Transactions with 江蘇中大汽車銷售有限公司 ¹ :		
– Consultancy fee income (l)	–	145
Transactions with 中大汽車產業集團有限公司 ¹ :		
– Consultancy fee income (l)	–	388



	For the six months ended 30 June	
	2008 RMB'000 (Unaudited)	2007 RMB'000 (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 premise (n)	150	–
Transactions with Ausen Co., Ltd.: – Sales of products (o)	1,163	–
Transactions with 鹽城市上通汽車銷售 有限公司: – Sales of raw materials (p)	7	–
Transactions with Zhongda EMS Limited ⁴ : – Sales of raw materials (p)	26	–

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

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.
- (b) Pursuant to a patent agreement dated 31 August 2001, Zhongda Industrial and 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 were made at the prevailing market price.
- (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 a period from 1 May 2008 to 31 December 2009.
- (j) Pursuant to a rental agreement, the rental of equipment and machinery is charged at RMB800,000 per annum commenced on 1 January 2005. The agreement was terminated on 30 June 2007.
- (k) 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.
- (l) Pursuant to the agreement dated 1 January 2007, non-recurring consultancy fees of RMB878,000 was charged on International Trading for arranging international trade finance; RMB290,000 was charged on 江蘇中大汽車銷售有限公司 for arranging trade finance; and RMB775,000 was charged on 中大汽車產業集團有限公司 for studying and re-arranging the existing



international trading and financing arrangement and participating in the negotiation with overseas buyers. The agreement was terminated on 31 December 2007.

- (m) Pursuant to an exclusive agency agreement dated 8 April 2008, International Trading 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.
 - (n) Pursuant to a rental agreement, the rental of office premises is charged at RMB25,000 per month.
 - (o) Sales to Ausen Co., Ltd. were at prevailing market price.
 - (p) Sales to 鹽城市上通汽車銷售有限公司 and Zhongda EMS Limited were at prevailing market price.
- (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 2008 and 2007 are set out below:

	For the six months ended	
	30 June	
	2008	2007
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Fees	1,795	1,393
Other emoluments		
– Salaries and allowances	225	174
– Contributions to pension schemes	45	35
	2,065	1,602



20. OPERATING LEASES

The Group as lessee

	For the six months ended	
	30 June	
	2008	2007
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Minimum lease payments in respect of rented premises paid under operating leases during the period	341	569

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	31 December
	2008	2007
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Within one year	350	350
In the second to fifth year inclusive	667	842
	1,017	1,192

Operating lease payments represent rentals payable by the Group for certain of its office premises. Leases are negotiated for an average term of three to four years (2007: three to four years) and rentals are fixed during the relevant lease periods.

*The Group as lessor*

At the balance sheet date, the Group had commitments for future minimum lease receipts contracted with tenants in respect of rented premises under non-cancellable operating leases which fall due as follows:

	30 June 2008 RMB'000 (Unaudited)	31 December 2007 RMB'000 (Audited)
Within one year	8,180	3,180
In the second to fifth year inclusive	9,090	3,180
	17,270	6,360

Operating lease receipts represent rental receivable by the Group for leasing its investment properties. The properties are expected to generate rental yield of 6.5% on an ongoing basis. Lease and rentals are negotiated and fixed for an average of 3 years (2007: 2.5 years).

21. CAPITAL COMMITMENTS

	30 June 2008 RMB'000 (Unaudited)	31 December 2007 RMB'000 (Audited)
Contracted for but not provided in the consolidated financial statements:		
– acquisition of land use rights and buildings	9,531	15,757
– capital contribution on investment in an associate	4,431	4,831
	13,962	20,588



22. POST BALANCE SHEET EVENTS

- (a) On 24 July 2008, Yancheng Aoshen Industrial Equipment Manufacturing Co., Ltd. ("Yancheng Aoshen"), a wholly-owned subsidiary of the Company, entered into an acquisition agreement with Zhongda Industrial pursuant to which Yancheng Aoshen shall purchase from Zhongda Industrial a 20% equity interest in Zhongwei Bus at a consideration of approximately RMB18,460,000 (equivalent to approximately HK\$21,000,000). The consideration shall be satisfied by Yancheng Aoshen entirely in cash, which is expected to be funded by internal resources of the Group. The acquisition has been approved by the shareholders of the Company on a special general meeting held on 1 September 2008. This acquisition will constitute a related party transaction.
- (b) On 24 July 2008, Zhong Da (BVI) Limited, the substantial shareholder of the Company, and the Company entered into a subscription agreement to subscribe for the zero coupon convertible bonds in the principal amount of HK\$21,000,000 for general working capital of the Group. The conversion price is HK\$0.84 per conversion share. The convertible bonds will be matured on the fifth anniversary of the date of issue of the convertible bonds.
- (c) In August 2008, the Company repurchased a total of 528,000 shares of HK\$0.1 each in its own issued share capital on the Stock Exchange for an aggregate consideration of approximately HK\$125,000.

**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 2008 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 2008	Exercised/ Lapsed during the period			As at 30 Jun 2008
Eligible persons	11 Jan 2007	12,000,120	-	12,000,120	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	-	20,000,200		

As at 30 June 2008, the outstanding options entitling the eligible persons under the Old Scheme to subscribe for an aggregate of 20,000,200 shares, representing approximately 3.8% 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, at no time during the six months ended 30 June 2008 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 2008, 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 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 Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") are as follows:—

Long position in the shares

Name of directors	Personal interests	Corporate interests	Total number of shares held	% of total issued share capital
Xu Lian Guo (<i>Note 1</i>)	–	204,004,000	204,004,000	38.5%
Xu Lian Kuan (<i>Note 1</i>)	–	204,004,000	204,004,000	38.5%
Zhang Yuqing	17,600,000	–	17,600,000	3.3%

Note 1:

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



Save as disclosed, as at 30 June 2008, none of the directors or chief executive or their associates had any personal, family, corporate or other interests or short positions in the shares or any of the associated corporations of the Company as defined in the SFO.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2008, 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:

Long position in the shares

Name of shareholders	Capacity	<i>Notes</i>	Number of shares held	Percentage of issued share capital
Zhong Da (BVI) Limited	Beneficial owner	1	204,004,000	38.5%
Shum Yip Holdings Company Limited	Beneficial owner	2	39,576,000	7.5%
Penta Investment Advisers Ltd	Investment manager		96,024,000	18.1%
L-R Global Partners, L.P.	Investment manager		26,606,000	5.0%

Notes:

1. Zhong Da (BVI) Limited is beneficially owned as to 57.22% and 42.78% by Mr. Xu Lian Guo and Mr. Xu Lian Kuan, respectively.
2. The 39,576,000 shares are held by Gainful Outcome Holdings Limited and Outstanding Management Limited, both being wholly-owned subsidiaries of Shum Yip Holdings Company Limited, respectively.

Save as disclosed, as at 30 June 2008, 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 and redeemed any of the Company's listed securities during the six months ended 30 June 2008.

COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE PRACTICES

In the opinion of the directors, the Company has complied with the code provisions as 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 2008, except for deviation as below:

E.1.2: Members of audit committee of the Company had not attended the annual general meeting of the Company held on 27 May 2008 because of their 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 2008.



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 2008 have been reviewed by the Company's audit committee and auditors.

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, 23 September 2008