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

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

Annual Report 2009

Contents

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
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 ADVISORS
Sidley Austin

STOCK CODE
00909

Dear Shareholders,

I am pleased to present the audited consolidated results of Zhongda International Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") for the year ended 31 December 2009.

OVERVIEW

For the year 2009, the Group continued to implement its business strategy in line with the original corporate vision. While growing our traditional automobile repair and maintenance equipment businesses, we continue expanding the commercial vehicles manufacturing business for both domestic and international markets.

The ripple of United States sub-prime mortgage crisis triggered the global credit crunch still casting its effect over the worldwide economy. The pace of recovery for overseas market was extremely slow which significantly affected our export sales adversely. As a result, the Group recorded a turnover of RMB455.0 million, representing a 28.9% decrease as compared to RMB639.7 million in 2008. Consequently, the Group recorded a consolidated loss to the equity holders for the year of RMB91.8 million (2008: profit of RMB16.2 million).

AUTOMOBILE REPAIR AND MAINTENANCE EQUIPMENT

During the year, the automobile repair and maintenance equipment business segment kept on providing the Group with stable revenue stream. The substantial decrease in export sales could not make up by the increase in domestic sales and hence the total sales dropped by 4.6% accordingly. With the recent government policy to stimulate the demand for small emission private vehicle, the domestic demand for automobile equipment is expected to increase. Hence, the segment is anticipated to nourish the Group with steady income.

DOUBLE-DECKER BUS MANUFACTURING

Nanjing Zhongda Jinling Double-decker Bus Manufacturing Company Limited has contributed RMB116.5 million to the revenue of the Group during the year. After the Group has taken measures to tighten the management control since the last year, its performance has been improving. We believe the potential demand for double-deck bus in the PRC is enormous as a result of fast urbanization of those first and second tier cities. At the same time, we endeavour to exploit the overseas double-decker markets for better margin.

SYNERGY WITH AFFILIATES

The Group has successfully acquired 20% equity interests of Yancheng Zhongwei Bus Manufacturing Company Limited ("Zhongwei Bus") from Zhongda Industrial Group Corporation ("ZIG Group"). In addition, the Group has also benefited from being the sole distributor of Zhongwei Bus for its overseas sales. These acquisition and arrangement allowed the Group to enter into the coach manufacturing sector directly. Subsequently, we will speed up the consolidation with ZIG Group and strengthen the Group in future.

OVERSEAS PROJECTS

Recently, we have signed an agreement with South Africa National Taxi Council ("SANTACO") to establish a joint venture in the Republic of South Africa. The venture will be responsible for selling and promoting Zonda vehicles in the country. In addition, the venture would also be selling our automobile repair and maintenance equipment and providing after-sale-services for Zonda vehicles as well. Augmented by the favourable South Africa government policy in their taxi/minibus industry, this joint venture will become a revenue contributor to the Group. We will continue working with SANTACO to explore further business opportunities in the territory.

Our strategy is to export all our finished products to emerging markets. Once we have verified a market of great potential, we will set up assembly plants jointly with our partners to seize the market. If this model is proven to be successful, we will replicate it to three or four countries so that we could stabilize our export sales revenue.

OUTLOOK

The emergence of the PRC as the world's largest automotive market combined with the authority's constant concern for foreseeable energy shortage has stimulated strong government interest in fuel efficiency and alternative fuels. Since the issue of New Energy Automotive Sample Scheme issued on 23 January 2009, the government has recently expanded the provision of fixed subsidies for the purchase of hybrid, electric and alternative fuel vehicles to around 20 cities. The most important of all is the authority has made clarification on how these subsidies would be granted. ZIG has been studying new energy vehicle since a few years ago. In the last year, they co-operate with Hubei Baokang Qingshan Energy Research Laboratory to create their first pure electric bus. The prototype has outperformed all other similar products and the battery has just obtained accreditation from the corresponding authority. ZIG has formed a joint venture with the inventor Mr. Cao Qing Shan (the founder and owner of Hubei Baokang Qingshan Energy Research Laboratory) planning to commercialize the product. The Group is considering to participate in the venture so as to capture this opportunity.

For the Group's future strategies, I would like to summarize them as follows:

1. We would maintain and continue to developing our automobile repair and maintenance equipment manufacturing business.
2. We would plan to shift our export sales strategy from exporting finished product to establishing overseas assembly plant with selected local partners in several countries of those emergent markets.
3. We would build up our new energy vehicle manufacturing segment.
4. We would speed up the consolidation with ZIG Group.

APPRECIATION

On behalf of the Board, I would like to extend my sincere appreciation to our shareholders, staffs and customers for their continuous support to the Group. We are committed to maximizing shareholders' value by strengthening internal control, optimizing production and enhancing efficiency.

Xu Lian Guo
Chairman

Hong Kong, 28 April 2010

Revenue

During the year under review, the Group's turnover recorded a substantial drop by 28.9% to approximately RMB455.0 million. It was mainly attributable to the economic downturn that triggered by United States sub-prime mortgage crisis during Year 2008. The ripple effect still adversely affected the economy most of the time during the last year. The pace of recovery is still slow and lack of momentum.

Automobile Repair and Maintenance Equipment

During the year, export sales of the Group comprising mainly automobile spray booths and car lifters were approximately RMB20.8 million, representing a decrease of 38.6% when compared with previous year due to global shrinkage of automobile industry. The overall turnover was approximately RMB129.9 million which decreased by 8.2% when compared with last year. While it is expected that the global economy would still be volatile and export sales would not be recovered in short period of time, we would continue to developing new products in order to retain our competitiveness. Nevertheless, this core business is expected to provide stable and recurring income in the coming years.

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 RMB129.2 million which drastically decreased by 46.7% when compared with last year. It was mainly due to decrease in export sales by Zhongwei Bus. Moving forward, we are still planning to upgrade this platform to serve our affiliate companies and joint ventures. In the long run, we would expand and open this platform to serve outside customers.

Automobile (Double-Decker) Manufacturing

During the year, Nanjing Zhongda Jinling Double-Decker Bus Manufacture Co. Ltd. ("Zhongda Jinling") has contributed revenue of approximately RMB120.7 million, accounting for approximately 26.5% of the Group's total revenue. The Group strives to enhance the manufacturing technology in order to ensure that our products shall comply with latest environmental protection requirements. After having strengthened the management of Zhongda Jinling, it will continue to exploit and develop overseas markets that provide a better margin. Currently, our double-decker has already been shipped to Egypt, Doha and United Arab Emirates.

Zhongwei Bus

During the year, the Group has acquired 20% shareholding of Zhongwei Bus ("Zhongwei"). Zhongwei becomes our associated company which is specialized in the manufacturing of long-haul coaches. Its products have been sold to over 40 countries around the world. The export sales of Zhongwei have dropped tremendously in Year 2009 as a result of adverse global economy. Consequently, this segment recorded an operating loss. Meanwhile, the situation is improving and we are receiving backlog orders from customers.

Overseas Project

During the last year, we have been successfully concluded the deal with South Africa National Taxi Council ("SANTACO"). We would be bulk selling tailor-made minibus and coaches to the country. We will form a joint venture with SANTACO which will also engage in after-sale-services for these vehicles. Meanwhile, we are negotiating further business co-operation with SANTACO.

Co-operation with ZIG

During the past few years, ZIG has been working closely with various parties to develop new energy vehicle. Recently, ZIG has successfully achieved a breakthrough in the manufacturing of pure electric bus jointly with Hubei Qingshan Energy Research Laboratory. As the performance of the prototype was beyond satisfactory, ZIG is planning to commercialize the product. The Group will work closely with ZIG and look for possible co-operations so as to capture the opportunity of the coming green era and to enlarge the Group's revenue stream.

FINANCIAL REVIEW AND LIQUIDITY

Gross Margin

The gross margin for the year has slightly improved. Price increase in raw material price especially steel during the past few years has expelled some small players out from the market. The alleviation of price competition allowed room for product price increase. On the other hand, the Group has also tightened its control over manufacturing process so as to counteract the increase in labor cost. As a result, the gross profit margin of the year has increased from 16.0% to 16.7% when compared with last year.

Net Loss

The Group recorded a net loss before tax is approximately RMB84.2 million when compared with a net profit of RMB18.1 million last year. Basic loss per share for the year was RMB12.15 cents.

Liquidity

Liquidity as measured by current ratio (defined as "Current Asset/Current Liabilities") with a ratio of 1.2x during the year was considered as acceptable. Regarding the current assets, approximately 26.0% 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 0.11x in the year from 0.16x as at 31 December 2008. The Group will take effort to retain its leverage at a satisfactory level.

As at 31 December 2009, cash and bank balances of the Group amounted to approximately RMB211,478,000 (31 December 2008: RMB128,893,000). Cash is mainly denominated in Renminbi. Long term loan was amounted to approximately RMB37,095,000 (31 December 2008: Nil) and the short term bank loans was amounted to approximately RMB217,133,000 (31 December 2008: RMB183,451,000) which representing an increase of approximately RMB33,682,000.

The interest rates of bank borrowings ranged between 1.30% and 9.47% per annum (31 December 2008: between 1.25% and 9.57%). The collaterals provided for these bank borrowings mainly comprised cash, certain land use rights and/or 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 31 December 2009, the net asset value of the Group amounted to approximately RMB374,445,000 (31 December 2008: RMB339,180,000), representing an increase of approximately 10.4%. Net current assets amounted to approximately RMB152,338,000 (31 December 2008: RMB32,616,000), an increase of approximately RMB119,722,000 from last year as a result of increase in capital from issuing new shares.

PROSPECT

The global economic turmoil triggered by US sub-prime mortgage is still casting its effect over all sectors globally. With worldwide co-operation to curb the spread of an economic depression, the situation is under control but the sign of recovery is still blur. However, it is expected that the demand for commercial vehicles is less affected especially in emerging markets including Africa, the Middle East, Eastern Europe and Asia. With the successful conclusion of the joint-venture with South Africa National Taxi Council, the Group will continue to develop and explore our business under this model in order to enlarge and stabilize our revenue for vehicle manufacturing. In addition, we have increased our effort to exploit domestic markets especially in those provinces in western and north-western part of the PRC.

Recently, the PRC government has implemented a series of policies to support the development of new energy automobile industry. As a result, the Group has located certain partners and worked closely with them to exploit this opportunity. We will adjust our business and operation strategies when necessary in response to the 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 a satisfactory return to our stakeholders.

Biography of the Directors

EXECUTIVE DIRECTORS

Mr. XU Lian Guo, aged 48, is the chairman and founder of the Group. Mr. Xu oversees the management and implementation of the decisions and strategies of the board of directors, and formulates the Group's strategic objectives and the relevant measures and policies. Mr. Xu has over 20 years of experience in the automobile maintenance and repairs industry. He established Zhongda Machinery in 1993. He was appointed the consultant of the professional service centre of the Ministry of Personnel (國家人事部專家服務中心) and the academic society respectively. Mr. Xu is the older brother of Mr. Xu Lian Kuan.

Mr. XU Lian Kuan, aged 44, is the vice-chairman and chief executive officer of the Group. Mr. Xu is in charge of the daily management of the Group and formulation of overall strategies for the Group. He is responsible for the overseas business development of the Group and has successfully led the Group to exploiting the various Asian, European and United States markets. Also, he oversees the product quality control for the Group. Mr. Xu has over 20 years of experience in the automobile maintenance and repairs industry. He joined the Group in 1993. He was appointed a member of a surface treatment engineering technology committee in the PRC (全國金屬與非金屬蓋層標準化技術委員會塗裝分技術委員會) and a member of the People's Political Consultative Committee of Jiangsu Province. He was appointed the anti-corruption supervisor for the Intermediary People's Court of Yancheng, Jiangsu Province. Also, he had been accredited several awards for his entrepreneurship and was the committee member of the China Automobile Service Equipment Committee. Mr. Xu is the younger brother of Mr. Xu Lian Guo.

Mr. ZHANG Yuqing, aged 57, is the vice-chairman of the Group. Mr. Zhang oversees the overall management, strategic planning, development planning, corporate external cooperation and financial management of the Group. Mr. Zhang has over 30 years of experience in corporate management in the PRC. Prior to joining the Group in 1994, he was the chairman and general managers of various PRC enterprises in the cement and electronics industries such as Yan Wu Group (燕舞集團). Mr. Zhang is a member of the executive committee of the All China Federation of Industry and Commerce, the postdoctoral lecturer at Tsinghua University, the researcher of the 中國管理科學院國情與管理研究所 and the lecturer of doctorate and MBA program at the Nanjing University.

Mr. KWOK Ming Fai, aged 45, is an executive director of the Company. Mr. Kwok oversees the financial management, corporate finance and investor relationship of the Group. Prior to joining the Group in 2006, he possesses over 15 years of experience in banking, finance and accounting and held executive positions at several international financial institutions, accounting firm and listed companies. Mr. Kwok obtained a Bachelor Degree in Accounting & Economics from the University of Sheffield in the United Kingdom and a Master Degree in Business Administration from the University of Adelaide in Australia. He is a member of CPA Australia and an associate member of the Hong Kong Institute of Certified Public Accountants. He is also the independent non-executive director of China Yunnan Tin Minerals Group Company Limited and Incutech Investments Limited, companies listed on the main board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), respectively.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. GU Yao Tian, aged 77, was appointed as an independent non-executive director of the Company in 2001. Prior to his joining to the Company, he was the general manager of the China National Automotive Industry Corporation. He was the general manager of Nanjing Automotive Manufacturing Factory during the period from 1988 to 1994.

Mr. SUN Ka Ziang Henry, aged 52, was appointed as an independent non-executive director of the Company in 2006. He has over 20 years of experience in international finance, corporate finance, corporate planning, financial management and accounting. He had held executive positions at several international banks including ABN AMRO Bank N.V. and Bank of America, international accounting firm, the Hong Kong Airport Authority, listed company on the main board of the Stock Exchange and information technology company. Mr. Sun obtained a Bachelor Degree in Economics from Monash University in Australia. He is a member of CPA Australia and an associate member of the Hong Kong Institute of Certified Public Accountants. He is currently an independent non-executive director of China Yunnan Tin Minerals Group Company Limited, a company listed on the main board of the Stock Exchange. He was the independent non-executive director of Forefront Group Limited, a company listed on the main board of the Stock Exchange, for the period from 18 April 2007 to 20 July 2007.

Mr. LI Xinzhong, aged 52, was appointed as an independent non-executive director in 2004. After graduating from Nankai University in 1983 with a degree in Economics, he spent seven years working in the PRC as a lecturer, part-time lawyer and the deputy general manager of a consulting firm in Tianjian before receiving his LL.M. degree at the University of London in 1991. He joined Miramar Group as an advisor of China affairs in 1992 and then joined Peregrine Capital Limited in 1993 and became a director in 1996. He spent two years with Alta Capital (H.K.) Limited as an executive director before joining BNP Paribas Peregerine Capital Limited in 2000 as an executive director. He joined Anglo Chinese Corporate Finance Limited in 2003 as a director and then joined DBS Asia Capital Limited as China Team Head of Mergers and Acquisitions in June 2004 responsible for origination of China related corporate finance transactions. He is currently a director of Shenzhen Sino-Source Investment Consultants Co., Ltd. Mr. Li has over 15 years experience in corporate finance. He is currently an independent non-executive director of Vitop Bioenergy Holdings Limited, a company listed on the main board of the Stock Exchange.

The board of directors (the "Board") of Zhongda International Holdings Limited (the "Company") is pleased to present the report of the directors of the Company and the audited consolidated financial statements of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2009.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of the subsidiaries are the development, manufacture and sales of automobile equipment and buses and trading of automobile spare parts. The activities of its subsidiaries are set out in note 47 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The state of affairs of the Group as at 31 December 2009 and the results and cash flow of the Group for the year then ended are set out in the consolidated financial statements on pages 28 to 35.

DIVIDEND

The directors do not recommend the payment of a dividend for the year.

FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for the past five financial years is set out on page 124 of the annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of movements during the year in the property, plant and equipment of the Group are set out in note 17 to the consolidated financial statements.

SHARE CAPITAL

Details of movement during the year in the share capital of the Company are set out in note 39 to the consolidated financial statements.

SHARE PREMIUM AND RESERVES

Details of movements in the share premium and reserves of the Group during the year are set out on page 33.

DIRECTORS

The directors of the Company during the year and up to the date of this report are:

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. Li Xinzhong
Mr. Sun Ka Ziang Henry

In accordance with bye-law 87 of the Company's bye-laws, Mr. Xu Lian Kuan, Mr. Gu Yao Tian and Mr. Li Xinzhong shall retire by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

No director proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

The Company has received from each of the independent non-executive directors an annual confirmation of independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and considers all the independent non-executive directors are independent to the Company.

ARRANGMENTS TO PURCHASE SHARES OR DEBENTURES

1. On 21 May 2009, the Company announced (a) the open offer ("Open Offer") of 319,887,744 shares ("Shares") of the Company at the subscription price of HK$0.28 per Offer Share on the basis of 3 Offer Shares for every 5 Shares held; and (b) the bonus issue ("Bonus Issue") on the basis of 2 Bonus Shares for every 10 Offer Shares taken up under the Open Offer, details of which are disclosed in the prospectus of the Company dated 30 June 2009. Zhong Da (BVI) Limited ("Zhong Da BVI") subscribed 75 million Offer Shares under the Open Offer and was allotted 15 million Bonus Shares under the Bonus Issue respectively.

2. The convertible bonds of the Company issued to Zhong Da BVI, pursuant to which 27,227,074 (as adjusted upon completion of the Open Offer) Shares would be issued and allotted at the exercise price of HK$0.7713 (as adjusted upon completion of the Open Offer) per Share, was fully redeemed in the principal amount of HK$21 million during the year.

3. On 12 November 2009, the Company announced the top-up placing of 105,000,000 Shares by Zhong Da BVI at a price of HK$0.713 per Share.

As at 31 December 2009, Zhong Da BVI is owned as to 57.22% by Mr. Xu Lian Guo and as to 42.78% by Mr. Xu Lian Kuan respectively, and was the only substantial shareholder of the Company. Zhong Da BVI is therefore an associate (as defined under the Listing Rules) of both Mr. Xu Lian Guo and Mr. Xu Lian Kuan.

Save as disclosed above, at no time during the year was the Company, its holding company, or any of its subsidiaries and fellow subsidiaries, a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of Shares in, or debentures of, the Company or any other body corporate, and neither the directors nor the chief executive, nor any of their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right.

DIRECTORS' INTEREST IN THE SHARE CAPITAL

Long position in the Shares and underlying Shares of the Company

As at 31 December 2009, the interests of the directors, chief executive 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 are 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 contained in the Listing Rules, were as follows:

Name of directors	*Notes*	Number of Shares: Personal interests	Number of Shares: Corporate interests	Number of underlying Shares	Total	% of total issued share capital
Mr. Xu Lian Guo	*1*	–	294,004,000	–	294,004,000	28.4%
Mr. Xu Lian Kuan	*1*	–	294,004,000	–	294,004,000	28.4%
Mr. Zhang Yuqing		30,272,000	–	–	31,189,011	3.0%
	2	–	–	917,011		
Mr. Kwok Ming Fai	*3*	–	–	917,011	917,011	0.1%

Notes:

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

2. 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.

3. 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.

Associated Corporation

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

Note:

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

Save as disclosed above, as at 31 December 2009, none of the directors or chief executive or their associates had any personal, family, corporate or other interests or short positions in the Shares and underlying Shares of the Company or any of its associated corporations as defined in the SFO.

SHARES IN A SUBSIDIARY

As at 31 December 2009, the following directors of the Company held interests in the shares of Zhongda Automobile Machinery Manufacture Co., Ltd., a 86.7% owned subsidiary of the Company as follows:

	Proportion of equity interests held
Xu Lian Guo *(Note)*	13.3%
Xu Lian Kuan *(Note)*	13.3%

Note: These equity interests are held by ZIG.

SUBSTANTIAL SHAREHOLDER

As at 31 December 2009, the following person had interests in the Shares 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 shareholder	**Capacity**	*Note*	**Number of Shares held**	**% of the issued share capital**
Zhong Da BVI	Beneficial owner	*1*	294,004,000	28.4 %

Note:

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

Save as disclosed, as at 31 December 2009, according to the records required to be kept by the Company under section 336 of the SFO, there was no person (except for directors and chief executives of the Company) who had any interest or short positions in the Shares and underlying Shares of the Company.

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 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. Further details of the Old Scheme and New Scheme, respectively, are set out in note 45 to the consolidated financial statements.

Subsequent to the balance sheet date, 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 may be allotted and issued upon the share options to be granted under the refreshed scheme mandate limit of the New Share 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 year ended 31 December 2009 are shown below:-

(a) Old Scheme

		Number of share options					
Category of participant	**Date of offer**	**As at 1 Jan 2009**	***Adjusted during the year**	**Exercised during the year**	**At at 31 Dec 2009**	**Exercise price per Share** HK$	**Exercisable period**
Eligible persons	11 Jan 2007	4,000,040	–	(4,000,040)	–	0.179	11 Jul 2007 to 10 Jul 2012
		8,000,080	11,862,187	*(11,862,187)	–	*0.121	
		12,000,120		(15,862,227)			
	5 Feb 2007	4,000,040	5,931,094	–	5,931,094	*0.314	5 Aug 2007 to 4 Aug 2012
	13 Feb 2007	4,000,040	5,931,094	–	5,931,094	*0.423	13 Aug 2007 to 12 Aug 2012
	TOTAL	20,000,200		(15,862,227)	11,862,188		

* Adjusted upon completion of the Open Offer.

As at 31 December 2009, 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: Granted during the year	Exercised during the year	Lapsed during the year	At at 31 Dec 2009	Exercise price per Share HK$	Exercisable period
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 31 December 2009, the outstanding options entitling the option holders under the New Scheme to subscribe for an aggregate of 47,684,597 Shares, representing approximately 4.6% of the issued share capital of the Company.

Save as disclosed above, no share option was granted, exercised, lapsed or cancelled during the year ended 31 December 2009.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

Details of the connected transactions and continuing connected transactions entered into by the Group during the year are set out in note 43 to the consolidated financial statements.

The directors of the Company have reviewed the continuing connected transactions and received the confirmation from the auditors and have confirmed that the continuing connected transactions contemplated by the Group for the year ended 31 December 2009:

(i) have received the approval of the Board;

(ii) have been entered into in accordance with the terms of the relevant agreements governing such transactions; and

(iii) have not exceed the cap disclosed in the relevant announcements/circulars of the Company.

In the opinion of the directors including the independent non-executive directors of the Company, the connected transactions and the continuing connected transactions were (i) entered into by the Group in the ordinary and normal course of its business; (ii) on normal commercial terms or on terms that are fair and reasonable so far as the shareholders of the Group are concerned; (iii) in accordance with the terms of the agreements governing such transactions or on terms no less favourable than terms available to third parties; and (iv) within the relevant cap as specified by the Stock Exchange.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as disclosed herein, no contracts of significance to which the Company, its holding company, or any of its subsidiaries and fellow subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' INTEREST IN COMPETING BUSINESS

During the year, none of the directors have an interest in any business constituting the competing business to the Group.

MANAGEMENT CONTRACT

No contracts concerning the management and administration of the Company subsisted at the end of the year or at any time during the year.

EMPLOYEE REMUNERATION POLICIES

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

The Group provides remuneration packages 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.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2009, the aggregate amount of turnover and purchases attributable to the Group's five largest customers and suppliers respectively represented less than 30% of the Group's total turnover and purchases.

BANK AND OTHER BORROWINGS

Details of the Group's bank and other borrowings as at 31 December 2009 are set out in note 36 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for the pre-emptive rights under the Company's bye-laws or the laws of Bermuda, which would oblige the Company to offer new Shares on a pro-rata basis to the existing shareholders.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year, the Company repurchased a total of 274,000 Shares on the Stock Exchange at an aggregate purchase price of HK$41,608. Details of the repurchases are as follows:-

Month of the repurchases	Number of Shares repurchased	Price per Share		Aggregate purchase price (excluding expenses)
		Highest	Lowest	
		HK$	HK$	HK$
January 2009	274,000	0.155	0.150	41,608

The repurchased Shares were cancelled during the year and the issued share capital of the Company was reduced by the par value thereof. The above repurchases were effected by the directors, pursuant to the general mandate granted by the shareholders, with a view to benefit shareholders as a whole in enhancing the net assets and earnings per Share of the Company.

Save as disclosed above, there was no purchase, sale or redemption by the Company, or any of its subsidiaries, of any listed securities of the Company during the year.

CORPORATE GOVERNANCE

The Company has complied with the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules during the year ended 31 December 2009. A corporate governance report for the year ended 31 December 2009 is prepared in accordance with Appendix 15 to the Listing Rules and set out on pages 22 to 25 of the annual report.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the directors, the Company has maintained sufficient public float as required under the Listing Rules during the year and up to the date of this report.

EVENTS AFTER THE REPORTING PERIOD

Details of the significant events which occurred subsequent to the reporting period are set out in note 48 to the consolidated financial statements.

AUDITORS

Messrs. SHINEWING (HK) CPA Limited has acted as auditors of the Company for the past three years.

A resolution will be submitted to the forthcoming annual general meeting to re-appoint Messrs. SHINEWING (HK) CPA Limited as auditors of the Company.

On behalf of the Board

Xu Lian Guo
Chairman

Hong Kong, 28 April 2010

CORPORATE GOVERNANCE

The Group strives to enhance its corporate governance standards to keep abreast with the fast-changing environments, with a view of upholding the corporate governance thereby to increasing the shareholders' value and strengthening the operational efficiency and effectiveness of the Group.

CORPORATE GOVERNANCE PRACTICES

In the opinion of the directors, the Company has complied with all code provisions as set out in the Code on Corporate Governance Practices ("the Code") in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") during the year ended 31 December 2009, except for deviations as below:

Rule E.1.2: Neither the chairman nor members of the audit committee of the Company attended the annual general meeting of the Company held on 26 June 2009 because of their respective business engagements. However, no question was raised by shareholders at the meeting. The directors present thereat conducted the meeting in a duly constituted and proper manner.

DIRECTORS' SECURITIES TRANSACTIONS

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 year ended 31 December 2009.

BOARD OF DIRECTORS

The Board currently consists of four executive directors and three independent non-executive directors ("INED(s)") as follows:-

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

There was no change in the directorate of the Company and their respective functionalities during the year ended 31 December 2009.

During the year ended 31 December 2009, the Board held five meetings:

Directors	**Meetings Attended**
Xu Lian Guo	5/5
Xu Lian Kuan	5/5
Zhang Yuqing	5/5
Kwok Ming Fai	5/5
Gu Yao Tian	5/5
Li Xinzhong	5/5
Sun Ka Ziang Henry	5/5

The Board is responsible for the leadership and control of the Company and oversees the businesses, strategic planning and decision-making of the Group. The Board established the following committees in pertaining to effect the various function of the Group:

- Executive Committee to focus on the formulation and review of the legal compliance and operational procedures compliance by the Group. The members of the Executive Committee are two executive directors, Mr. Xu Lian Kuan and Mr. Zhang Yuqing.

- Audit Committee to focus on the review and supervision of the financial reporting process and internal control system of the Group pursuant to the Listing Rules. The members of the Audit Committee are all the INEDs.

- Remuneration Committee to focus on the recommendation to the Board of the corporate policy and structure for all remuneration of the directors and senior management of the Group pursuant to the Listing Rules. The members of the Remuneration Committee are two INEDs namely Mr. Gu Yao Tian and Mr. Li Xinzhong, and one executive director namely Mr. Zhang Yuqing.

During the year, an independent board committee of the Company, comprising all INEDs, had been established by the Board for the purpose of the Listing Rules regarding the open offer of the Company in July 2009. The independent board committee followed the same principles, procedures and arrangements as that of the Board and was provided with sufficient resources to discharge their duties. Opinion of the independent board committee had been expressed in its letter which was included in the circular of the Company dated 4 June 2009. Save as disclosed herein, no other board committee of the Company had been formed during the year under review.

Each INED has, pursuant to Rule 3.13 of the Listing Rules, confirmed that he is independent to the Company and the Company also considers that they are independent.

Save for Mr. Xu Lian Guo and Mr. Xu Lian Kuan are brothers, there is no other relationship (including financial, business, family or other material or relevant relationship) among the members of the Board.

NON-EXECUTIVE DIRECTORS

As at 31 December 2009, all the existing INEDs, Mr. Gu Yao Tian, Mr. Sun Ka Ziang Henry and Mr. Li Xinzhong, were appointed with specific term and they are subject to retirement and rotation in accordance with the bye-laws of the Company.

REMUNERATION COMMITTEE

The Remuneration Committee of the Company has been established with written terms of reference on no less exacting than the required standard as set out in the code provisions of the Code. The Remuneration Committee held one meeting in 2009 which was attended by all members for reviewing the policies on the remuneration of the executive directors of the Company.

AUDITORS' REMUNERATION

The amounts paid to the external auditors of the Group for the year ended 31 December 2009 in respect of the services provided to the Group as follows:

	2009 *RMB'000*
Audit services	1,597
Other advisory services	448

AUDIT COMMITTEE

The Audit Committee of the Company has been established with written terms of reference on no less exacting than the required standard as set out in the code provisions of the Code.

During the year under review, the Audit Committee held two meetings:

Members	Meetings Attended
Sun Ka Ziang Henry	2/2
Gu Yao Tian	2/2
Li Xinzhong	2/2

During the meetings, the Audit Committee had considered, reviewed and discussed the auditing and financial reporting matters of the Group in regard to the final results of the Group for the year ended 31 December 2008 and the interim results of the Group for the six months ended 30 June 2009. The Audit Committee had further reviewed the engagement of the external auditors and the engagement of the independent auditor, details of which are disclosed in the section headed "Internal Controls" below.

INTERNAL CONTROLS

The Company had continuously engaged the independent auditor to review the effectiveness of internal control system of the Group which covered all material controls, including financial, operational and compliance controls as well as risk management functions for the year ended 31 December 2009. In April 2010, the Audit Committee had reviewed the review report for the year ended 31 December 2009. The Board considered that the Group's internal control system was effective and adequate, and the Group had adopted necessary control mechanism to monitor the compliances during the year under review.

The Board considered that the resources, qualifications and experience of the staff of the accounting and financial function of the Group, and their training programmes and budget were sufficient and reasonable for the year under review.

DIRECTORS' RESPONSIBILITY FOR PREPARING ACCOUNTS

The Directors acknowledge their responsibilities for the preparation of the financial statements of the Group for the year ended 31 December 2009 and ensure that such financial statements are prepared in accordance with statutory requirements and applicable accounting standards.

AUDITORS' REPORTING RESPONSIBILITIES

The reporting responsibilities of Messrs. SHINEWING (HK) CPA Limited, the auditors of the Company, for the year under review are stated in the Independent Auditor's Report on pages 26 to 27 of the annual report.

信永中和
ShineWing

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

TO THE MEMBERS OF ZHONGDA INTERNATIONAL HOLDINGS LIMITED
(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Zhongda International Holdings Limited (the "Company") and its subsidiaries (collectively referred as the "Group") set out on pages 28 to 123 which comprise the consolidated statement of financial position as at 31 December 2009, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

AUDITOR'S RESPONSIBILITY (Continued)

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2009 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

SHINEWING (HK) CPA Limited
Certified Public Accountants
Chan Wing Kit
Practising Certificate Number: P03224

Hong Kong
28 April 2010

	Notes	**2009 RMB'000**	2008 RMB'000
Revenue	7	**455,026**	639,691
Cost of sales		**(378,899)**	(537,472)
Gross profit		**76,127**	102,219
Other revenue	9	**13,496**	17,653
Selling and distribution expenses		**(22,099)**	(19,258)
Administrative expenses		**(54,187)**	(49,308)
Impairment loss on trade receivables	27	**(24,254)**	(15,340)
Impairment loss on other receivables	30	**(9,903)**	(2,980)
Impairment loss on amount due from a related company	25	**(7,678)**	–
Equity-settled share-based payments	45	**(11,083)**	–
Changes in fair value of investment properties	19	**(19,370)**	8,108
Other operating expenses		**(4,003)**	(5,004)
Share of loss of associates	20	**(381)**	–
Finance costs	10	**(20,929)**	(17,974)
(Loss) profit before tax		**(84,264)**	18,116
Income tax expense	11	**(29,469)**	(10,438)
(Loss) profit for the year	12	**(113,733)**	7,678
(Loss) profit for the year attributable to:			
Owners of the Company		**(91,790)**	16,198
Minority interests		**(21,943)**	(8,520)
		(113,733)	7,678
(Loss) earnings per share	16		
– Basic (cents per share)		**(12.15 cents)**	2.73 cents
			(Restated)
– Diluted (cents per share)		**(12.15 cents)**	2.70 cents
			(Restated)

	2009 **RMB'000**	2008 RMB'000
(Loss) profit for the year	**(113,733)**	7,678
Other comprehensive expenses		
Exchange differences arising on translation	**(4,296)**	(4,765)
Total comprehensive (expenses) income for the year	**(118,029)**	2,913
Total comprehensive (expenses) income attributable to:		
Owners of the Company	**(96,086)**	11,433
Minority interests	**(21,943)**	(8,520)
	(118,029)	2,913

Consolidated Statement of Financial Position

At 31 December 2009

	Notes	2009 RMB'000	2008 RMB'000
Non-current assets			
Property, plant and equipment	17	**100,194**	100,233
Prepaid lease payments	18	**41,544**	42,514
Investment properties	19	**103,816**	123,559
Interests in associates	20	**18,079**	–
Prepayments for investments in associates	21	**–**	18,898
Available-for-sale investments	22	**900**	900
Deferred tax assets	23	**–**	32,188
		264,533	318,292
Current assets			
Prepaid lease payments	18	**970**	970
Inventories	24	**25,166**	58,581
Amounts due from related companies	25	**115,139**	270,379
Amounts due from associates	26	**287,483**	705
Trade and bills receivables	27	**77,901**	95,718
Amounts due from customers for contract work	28	**53,216**	13,953
Held for trading investments	29	**–**	31
Prepayments and other receivables	30	**41,362**	26,557
Restricted deposit placed in a financial institution	31	**–**	5,000
Pledged bank deposit	31	**9,994**	10,149
Restricted bank balances	31	**115,628**	82,647
Bank balances and cash	31	**85,856**	31,097
		812,715	595,787
Current liabilities			
Amounts due to customers for contract work	28	**43,965**	1,068
Trade and bills payables	32	**308,266**	265,181
Advance receipt from customers		**4,417**	25,115
Other payables and accruals	33	**46,475**	35,658
Amount due to an associate	34	**–**	37
Amounts due to related companies	34	**4,453**	1,666
Amounts due to directors	34	**5,485**	5,288
Loan from ultimate holding company	35	**–**	18,614
Tax payable		**30,183**	27,093
Bank overdrafts	31	**6,257**	7,991
Bank and other borrowings	36	**210,876**	175,460
		660,377	563,171
Net current assets		**152,338**	32,616
Total assets less current liabilities		**416,871**	350,908

	Notes	2009 RMB'000	2008 RMB'000
Capital and reserves			
Share capital	39	**99,166**	55,074
Share premium and reserves		**274,252**	263,618
Equity attributable to owners of the Company		**373,418**	318,692
Minority interests		**1,027**	20,488
Total equity		**374,445**	339,180
Non-current liabilities			
Bank and other borrowings	36	**37,095**	–
Deferred tax liabilities	23	**5,331**	11,728
		42,426	11,728
		416,871	350,908

The consolidated financial statements on pages 28 to 123 were approved and authorised for issue by the board of directors on 28 April 2010 and are signed on its behalf by:

Xu Lian Guo
Director

Zhang Yuqing
Director

	Attributable to owners of the Company									
	Share capital RMB'000	Share premium RMB'000	Reserve fund RMB'000 (Note)	Enterprise expansion fund RMB'000 (Note)	Share options reserve RMB'000	Translation reserve RMB'000	Retained profits RMB'000	Total RMB'000	Minority interests RMB'000	Total RMB'000
At 1 January 2008	55,125	127,877	2,720	2,720	3,646	(7,878)	123,167	307,377	29,008	336,385
Profit (loss) for the year	–	–	–	–	–	–	16,198	16,198	(8,520)	7,678
Other comprehensive expenses	–	–	–	–	–	(4,765)	–	(4,765)	–	(4,765)
Total comprehensive (expenses) income for the year	–	–	–	–	–	(4,765)	16,198	11,433	(8,520)	2,913
Share repurchased and cancelled (Note 39(ii))	(51)	(67)	–	–	–	–	–	(118)	–	(118)
At 31 December 2008	55,074	127,810	2,720	2,720	3,646	(12,643)	139,365	318,692	20,488	339,180

	Attributable to owners of the Company										
	Share capital RMB'000	Share premium RMB'000	Convertible bond reserve RMB'000	Reserve fund RMB'000 (Note)	Enterprise expansion fund RMB'000 (Note)	Share options reserve RMB'000	Translation reserve RMB'000	Retained profits RMB'000	Total RMB'000	Minority interests RMB'000	Total RMB'000
At 31 December 2008 and 1 January 2009	55,074	127,810	-	2,720	2,720	3,646	(12,643)	139,365	318,692	20,488	339,180
Loss for the year	-	-	-	-	-	-	-	(91,790)	(91,790)	(21,943)	(113,733)
Other comprehensive expenses	-	-	-	-	-	-	(4,296)	-	(4,296)	-	(4,296)
Total comprehensive expenses for the year	-	-	-	-	-	-	(4,296)	(91,790)	(96,086)	(21,943)	(118,029)
Recognition of equity component of convertible bond (Note 37)	-	-	6,315	-	-	-	-	-	6,315	-	6,315
Transfer to retained profits upon redemption of convertible bond (Note 37)	-	-	(261)	-	-	-	-	261	-	-	-
Effect of early redemption of convertible bond (Note 37)	-	-	(6,054)	-	-	-	-	-	(6,054)	-	(6,054)
Share repurchased and cancelled (Note 39(ii))	(24)	(13)	-	-	-	-	-	-	(37)	-	(37)
Recognition of equity-settled share-based payments	-	-	-	-	-	11,083	-	-	11,083	-	11,083
Shares issued under share option scheme (Note 39(iii))	1,388	1,724	-	-	-	(1,075)	-	-	2,037	-	2,037
Placing of new shares (Note 39(v))	9,174	56,239	-	-	-	-	-	-	65,413	-	65,413
Shares issued under open offer (Note 39(iv))	27,962	50,332	-	-	-	-	-	-	78,294	-	78,294
Bonus shares issued under open offer (Note 39(iv))	5,592	(5,592)	-	-	-	-	-	-	-	-	-
Transactions costs attributable to cancellation and issue of shares	-	(6,239)	-	-	-	-	-	-	(6,239)	-	(6,239)
Contribution from minority interests	-	-	-	-	-	-	-	-	-	2,482	2,482
At 31 December 2009	99,166	224,261	-	2,720	2,720	13,654	(16,939)	47,836	373,418	1,027	374,445

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 that 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.

Consolidated Statement of Cash Flows

For the year ended 31 December 2009

	2009 RMB'000	2008 RMB'000
OPERATING ACTIVITIES		
(Loss) profit before tax	**(84,264)**	18,116
Adjustments for:		
Interest income	**(2,420)**	(2,940)
Finance costs	**20,929**	17,974
Share of loss of an associate	**381**	–
Depreciation on property, plant and equipment	**7,460**	5,962
Amortisation on prepaid lease payments	**970**	1,061
(Gain) loss on disposal of property, plant and equipment	**(333)**	18
Write off of property, plant and equipment	**–**	157
Changes in fair value of investment properties	**19,370**	(8,108)
Impairment loss on prepayments for investment in associates	**438**	36
Reversal of impairment loss on inventories	**(747)**	–
Impairment loss on inventories	**–**	2,055
Impairment loss on trade receivables	**24,254**	15,340
Impairment loss on other receivables	**9,903**	2,980
Impairment loss on amount due from a related company	**7,678**	–
Recovery of impairment loss on an investment	**–**	(1,810)
Recognition of expected losses for contract work	**–**	10,160
Change in fair value of held for trading investments	**–**	69
Waiver of trade payables	**(5,022)**	(3,622)
Waiver of other payables and accruals	**(462)**	(2,191)
Gain on disposal of held for trading investments	**(26)**	–
Equity-settled share-based payments	**11,083**	–
Operating cash flows before movement in working capital	**9,192**	55,257
Decrease (increase) in inventories	**34,162**	(11,900)
Increase in trade and bills receivables	**(6,437)**	(25,803)
(Increase) decrease in prepayments and other receivables	**(24,708)**	5,388
(Increase) decrease in amounts due from customers for contract work	**(39,263)**	1,481
Decrease (increase) in amounts due from related companies	**148,314**	(144,495)
Increase in amounts due from associates	**(286,778)**	–
Increase in trade and bills payables	**48,107**	185,575
Increase in other payables and accruals	**11,279**	11,295
Decrease in advance receipt from customers	**(20,698)**	(13,037)
Increase (decrease) amounts due to customers for contract work	**42,897**	(9,420)
(Decrease) increase in amount due to an associate	**(37)**	33
Cash (used in) generated from operations	**(83,970)**	54,374
Income tax paid	**(588)**	(748)
Net cash (used in) from operating activities	**(84,558)**	53,626

	2009 RMB'000	2008 RMB'000
INVESTING ACTIVITIES		
Decrease in restricted deposit placed in a financial institution	**5,000**	10,802
Interest received	**2,420**	2,214
Proceeds from disposal of property, plant and equipment	**795**	305
Decrease in pledged bank deposit	**155**	6,010
Proceeds from disposal of held for trading investments	**57**	–
Increase in restricted bank balances	**(32,981)**	(78,486)
Purchase of property, plant and equipment	**(7,883)**	(13,029)
Recovery of investment loss	**–**	1,810
Advance to an associate	**–**	(705)
Acquisition of held for trading investments	**–**	(100)
Prepayments for investments in associates	**–**	(18,460)
Net cash used in investing activities	**(32,437)**	(89,639)
FINANCING ACTIVITES		
New bank and other borrowings raised	**248,261**	155,460
Proceeds from shares issued under open offer	**78,294**	–
Proceeds from placing of shares	**65,413**	–
Contribution from a minority shareholder	**2,482**	–
Exercise of share options	**2,037**	–
Repayment from (advance to) related companies	**2,035**	(656)
Advance from directors	**197**	280
Repayment of bank and other borrowings	**(175,750)**	(138,000)
Payment for redemption of convertible bond	**(21,229)**	–
Interest paid	**(17,899)**	(17,727)
Expenses on cancellation and issue of shares	**(6,239)**	–
Repurchase of shares	**(37)**	(118)
Advance from ultimate holding company	**–**	18,614
Net cash from financing activities	**177,565**	17,853
Net increase (decrease) in cash and cash equivalents	**60,570**	(18,160)
Cash and cash equivalent at 1 January	**23,106**	44,554
Effect of foreign exchange rate changes	**(4,077)**	(3,288)
Cash and cash equivalent at 31 December,	**79,599**	23,106
Represented by:		
Bank balances and cash	**85,856**	31,097
Bank overdrafts	**(6,257)**	(7,991)
	79,599	23,106

1. GENERAL

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 addresses of the registered office and principal place of business of the Company are disclosed in the "Corporate Information" section to the annual report.

The 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. The principal activities of its subsidiaries are set out in Note 47.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied the following new and revised standards, amendments to standards and interpretations ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Hong Kong Accounting Standard ("HKAS") 1 (Revised 2007)	Presentation of Financial Statements
HKAS 23 (Revised 2007)	Borrowing Costs
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HK(IFRIC) – Interpretation ("Int") 9 & HKAS 39 (Amendments)	Embedded Derivatives
HK(IFRIC) – Int 13	Customer Loyalty Programmes
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation
HK(IFRIC) – Int 18	Transfers of Assets from Customers

2. APPLICATION OF NEW AND REVISED HKFRSs (Continued)

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008, except for the amendment to HKFRS 5 that is effective for annual periods beginning or after 1 July 2009
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 in relation to the amendment to paragraph 80 of HKAS 39

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

New and revised HKFRSs affecting presentation and disclosure only

HKAS 1 (Revised 2007) "Presentation of Financial Statements"

HKAS 1 (Revised 2007) has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the financial statements.

HKFRS 8 Operating Segments

HKFRS 8 is a disclosure standard. The adoption of HKFRS 8 has not resulted in a re-designation of the Group's reportable segments nor changes in the basis of measurement of segment profit or loss, segment assets and segment liabilities.

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

HKFRSs (Amendments)	Amendments to HKFRS 5 as part of Improvements to HKFRSs 2008[1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009[2]
HKAS 24 (Revised)	Related Party Disclosures[5]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[1]
HKAS 32 (Amendment)	Classification of Rights Issues[4]
HKAS 39 (Amendment)	Eligible Hedged Items[1]
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters[3]
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First time Adopters[6]
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions[3]
HKFRS 3 (Revised)	Business Combinations[1]
HKFRS 9	Financial Instruments[7]
HK(IFRIC) – Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement[5]

2. APPLICATION OF NEW AND REVISED HKFRSs (Continued)

HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners[1]
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments[6]

1 Effective for annual periods beginning on or after 1 July 2009.
2 Amendments that are effective for annual periods beginning on or after 1 July 2009 and 1 January 2010, as appropriate.
3 Effective for annual periods beginning on or after 1 January 2010.
4 Effective for annual periods beginning on or after 1 February 2010.
5 Effective for annual periods beginning on or after 1 January 2011.
6 Effective for annual periods beginning on or after 1 July 2010.
7 Effective for annual periods beginning on or after 1 January 2013.

The application of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary.

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 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 the other new and revised standards, amendments or interpretations will have no material impact on the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

The 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 explained in the accounting policies set out below.

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments in associates

An associate is an entity over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associates, less any identified impairment loss. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Any excess of the cost of the acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is not tested for impairment separately. Instead, the entire carrying amount of the investment is tested for impairment as a single asset. Any impairment loss recognised is not allocated to any asset, including goodwill, that form part of the carrying amount of the investment in the associate. Any reversal of impairment loss is recognised to the extent that the recoverable amount of the investment subsequently increases.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts and sales related taxes.

Revenue from sales of goods is recognised when the goods are delivered and title has passed.

When the outcome of a construction contract can be estimated reliably, revenue from fixed price construction contracts is recognised on the percentage of completion method, measured by reference to the value of work carried out during the year. Variation in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

Commission income is recognised when services are provided.

Interest income from a financial asset excluding financial assets at fair value through profit or loss is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Rental income under operating leases is recognised in the consolidated income statement on a straight-line basis over the terms of the relevant lease.

Deposits and instalments received from purchasers prior to meeting the above criteria on revenue recognition are included in the statement of financial position under current liabilities.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or supply of goods or services, or for administrative purposes other than construction in progress, are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of items of property, plant and equipment other than construction in progress, over their estimated useful lives and after taking into account of their estimated residual values, using the straight-line method.

Construction in progress includes property, plant and equipment in the course of construction for production or for its own use purpose. Construction in progress is carried at cost less any recognised impairment loss. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the period in which the item is derecognised.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values using the fair value model. Gain or loss arising from change in the fair value of investment property are included in profit or loss for the period in which they arise.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Construction contracts

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period, as measured by the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as amounts due from customers for contract work. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as amounts due to customers for contract work. Amounts received before the related work is performed are included in the consolidated statement of financial position, as a liability, as advance received. Amounts billed for work performed but not yet paid by the customer are included in the consolidated statement of financial position under trade and bills receivables.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in the profit or loss on a straight-line basis over the term of the relevant lease.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interests in leasehold land held for own use under operating leases

Interests in leasehold land held for own use under operating leases represent up-front payments to acquire long-term interests in lessee-occupied properties. These payments are stated at cost and are amortised over the lease term on a straight-line basis.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income, in which cases, the exchange differences are also recognised directly in other comprehensive expenses.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. RMB) at the rate of exchange prevailing at the end of the reporting period, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive expenses and accumulated in equity (the translation reserve).

Borrowing costs

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

Retirement benefit costs

Payments to defined contribution retirement benefit plans are charged as an expense when employees have rendered services entitling them to the contributions.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other that in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method.

Financial instruments

Financial assets and financial liabilities are recognised in the statement of financial position when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair values. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into one of the three categories, including financial assets at fair value through profit or loss ("FVTPL"), loans and receivables and available-for-sale financial assets. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets at fair value through profit or loss

Financial assets at FVTPL represent the financial assets held for trading. A financial asset is classified as held for trading if:

– it has been acquired principally for the purpose of selling in the near future; or

– it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

– it is a derivation that is not designated and effective as a hedging instrument.

Financial assets at FVTPL are measured at fair values, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and bills receivables, other receivables, amounts due from related companies and associates, restricted deposit placed in a financial institution, pledged bank deposit, restricted bank balances and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment loss (see accounting policy on impairment loss on financial assets below).

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are not classified as financial assets at FVTPL or loans and receivables or held-to-maturity investments.

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment loss at the end of each reporting period (see accounting policy in respect of impairment loss on financial assets below).

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Impairment loss on financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For an available-for-sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

– significant financial difficulty of the issuer or counterparty; or

– default or delinquency in interest or principal payments; or

– it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 30 to 365 days, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, impairment loss is recognised in profit and loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Impairment loss on financial assets (Continued)

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in the profit and loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Impairment losses on available-for-sale equity investments will not be reversed in profit or loss in subsequent periods. Any increase in fair value subsequent to impairment loss is recognised directly in other comprehensive income and accumulated in equity.

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The Group's financial liabilities are generally classified into other financial liabilities.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis.

Other financial liabilities

Other financial liabilities including bank and other borrowings, bank overdrafts, trade and bills payables, loan from ultimate holding company, other payables and accruals and amounts due to an associate, related companies and directors are subsequently measured at amortised cost, using the effective interest method.

Convertible bond

Convertible bond issued by the Group that contain liability, conversion option and early redemption option (which is not closely related to the host liability component) are classified separately into respective items on initial recognition. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is classified as an equity instrument. At the date of issue, both the liability and early redemption option components are measured at fair value. The difference between the gross proceed of the issue of the convertible bond and the fair values assigned to the liability and early redemption option components respectively, representing the conversion option for the holder to convert the convertible bond into equity, is included in equity (convertible bond reserve).

In subsequent periods, the liability component of the convertible bond is carried at amortised cost using the effective interest method. The early redemption option is measured at fair value with changes in fair value recognised in profit or loss.

The equity component, representing the option to convert the liability component into ordinary shares of the Company, will remain in convertible bond reserve until the embedded conversion option is exercised (in which case the balance stated in convertible bond reserve will be transferred to share premium). Where the conversion option remains unexercised at the expiry date, the balance stated in convertible bond reserve will be released to the retained profits. No gain or loss is recognised in profit or loss upon conversion or expiration of the conversion option.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Convertible bond (Continued)

Upon redemption of the convertible bond, the redemption consideration will be allocated to the liability component and equity component using the same allocation basis as when the convertible bond was originally issued.

Differences between the fair value and the carrying amount of the liability component will be recognised in the consolidated income statement. The difference between the redemption consideration and the fair value of the liability component will be included in equity (convertible bond reserve) and released to retained profits.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit and loss. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for proceeds received.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Share-based payment transactions

Equity-settled share-based payment transactions

Share options granted to employees

For grants of share options which are conditional upon satisfying specified vesting conditions, the fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share options reserve).

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the estimates during the vesting period, if any, is recognised in profit or loss, with a corresponding adjustment to share options reserve.

For share options which are vested at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

At the time when the share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to retained profits.

Share options granted to consultants

Share options issued in exchange for goods or services are measured at the fair values of the goods or services received, unless that fair value cannot be reliably measured, in which case the goods or services received are measured by reference to the fair value of the share options granted. The fair values of the goods and services received are recognised as expenses, with a corresponding increase in equity (share options reserve), when the Group obtains the goods or when the counterparties render services, unless the goods or services qualify for recognition as assets.

Impairment losses on tangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried as a revalued amount under another standard, in which case the impairment loss is treated as a revaluation decrease under that standard.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment losses on tangible assets (Continued)

Where the impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss is recognised as income immediately, unless the relevant asset is carried as a revalued amount under another standard, in which case the reversal of the impairment loss is treated as a revaluation increase under that standard.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The followings are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Buildings

The building ownership certificates of certain of the Group's buildings were not granted by relevant government authorities as detailed in Note 17. In the opinion of the directors, the absence of building ownership certificates to these buildings does not impair the value of the relevant buildings of the Group.

Impairment of available-for-sale investments

The Group follows the guidance of HKAS 39 "Financial Instruments: Recognition and Measurement" to determine when an available-for-sale investment is impaired. This determination requires significant judgement. In making this judgement, the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and short-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Construction contracts

Revenue from individual contract is recognised under the percentage of completion method which requires estimation made by management. Anticipant losses are fully provided on contracts when identified. The Group's management estimates the contract revenue, contract costs and foreseeable losses of construction work based on the budgets prepared for the contracts. Because of the nature of the activities undertaken in construction businesses, management reviews and revises the estimates of both contract revenue and contract costs in the budget prepared for each contract as the contract progresses, where the actual contract revenue are less than expected or actual contract costs are more then expected, a material impairment loss may arise.

Depreciation of property, plant and equipment

The Group's net carrying value of property, plant and equipment (excluding construction in progress) as at 31 December 2009 was approximately RMB100,194,000 (2008: RMB100,233,000). The Group depreciates the property, plant and equipment on a straight-line basis over the estimated useful lives and after taking into account of their estimated residual values, using the straight-line method, at the rate of 1.875% to 50% per annum, commencing from the date the property, plant and equipment when they are available for use. The estimated useful lives that the Group places the property, plant and equipment into productive use reflects the directors' estimate of the periods that the Group intends to derive future economic benefits from the use of the Group's property, plant and equipment.

Estimated impairment loss on trade receivables

The policy for impairment loss on trade receivables of the Group is based on the evaluation of collectability and ageing analysis of accounts and on management's estimation. A considerable amount of estimation is required in assessing the ultimate realisable amount of these receivables, including the current creditworthiness and the past collection history of each customer. If the financial conditions of customers of the Group were to deteriorate, resulting in impairment of their ability to make payments, additional impairment may be required. At 31 December 2009, the carrying amount of trade receivables was approximately RMB77,601,000, net of impairment loss on trade receivables of approximately RMB94,460,000 (2008: carrying amount was approximately RMB94,203,000, net of impairment loss on trade receivables of approximately RMB70,206,000).

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Estimated impairment loss on other receivables, amounts due from associates and related companies

When there is objective evidence of impairment losses on other receivables, amounts due from associates and related companies, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2009, the carrying amounts of other receivables and amounts due from related companies are RMB41,362,000 (2008: RMB26,557,000) and RMB115,139,000 (2008: RMB270,379,000) respectively, net of impairment loss of other receivables and amounts due from related companies of RMB22,564,000 (2008: RMB12,661,000) and RMB7,678,000 (2008: Nil) respectively. At 31 December 2009, the carrying amounts of amounts due from associates are approximately RMB287,483,000 (2008: RMB705,000), no impairment loss made during the year.

Estimated impairment loss on prepayments for investment in associates

The prepayments for investment in associates were reviewed by management for impairment whenever events or changes in circumstances indicate that the carrying amount may not recoverable. The directors make judgments on whenever such events changes in circumstances have occurred, and makes estimates in determining the recoverable amount.

Estimated impairment loss on inventories

The management of the Group reviews an ageing analysis at the end of the reporting period, and makes impairment for obsolete and slow-moving inventory items identified that are no longer suitable for sales. The management estimates the net realisable value for such inventories based primarily on the latest invoice prices and current market conditions. The Group carries out an inventory review on a product-by-product basis at the end of the reporting period and makes impairment for obsolete and slow-moving items. At 31 December 2009, the carrying amount of inventories was approximately RMB25,166,000, net of impairment loss on obsolete inventories of approximately RMB5,702,000 (2008: carrying amount of approximately RMB58,581,000, net of impairment loss on obsolete inventories of approximately RMB6,449,000).

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Estimated impairment loss on property, plant and equipment

The impairment loss for property, plant and equipment is recognised for the amounts by which the carrying amounts exceed its recoverable amount, in accordance with the Group's accounting policy. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. The Group has assessed and reviewed annually for impairment loss whenever events or change in circumstances indicate that the carrying amount may not be recoverable. No impairment was provided during the year.

Estimated fair value of investment properties

Investment properties are carried in the consolidated statement of financial position as at 31 December 2009 at their fair value of approximately RMB103,816,000 (2008: RMB123,559,000). The fair value was based on a valuation on these properties conducted by an independent firm of professional valuers using open market value and depreciated replacement cost method which involve certain assumptions of market conditions. Favourable or unfavourable changes to these assumptions would result in changes in the fair value of the Group's investment properties and corresponding adjustments to the amount of gain or loss reported in the consolidated statement of comprehensive income.

Estimated fair value of equity-settled share-based payments

The fair value of the share options granted to directors and employees determined at the date of grant of the respective share options is recognised in the consolidated income statement, with a corresponding adjustment to the Group's share options reserve. In assessing the fair value of the share options, the generally accepted options pricing models were used to calculate the fair value of the share options. The option pricing models require the input of subjective assumptions, including the expected dividend yield and expected life of options. Any changes in these assumptions can significantly affect the estimate of the fair value of the share options.

5. CAPITAL RISK MANGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of debt, which includes bank overdrafts, loan from ultimate holding company, bank and other borrowings and convertible bond as disclosed in Notes 31, 35, 36 and 37 respectively, and cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital as disclosed in Note 39, reserves as disclosed in consolidated statement of changes in equity.

The directors of the Company review the capital structure periodically. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends, new share issues, repurchase of shares as well as the issue of new debt or the redemption of existing debts.

6. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	2009 RMB'000	2008 RMB'000
Financial assets		
FVTPL	–	31
Loan and receivables		
– amounts due from related companies	115,139	270,379
– amounts due from associates	287,483	705
– trade and bills receivables	77,901	95,718
– other receivables	15,830	15,720
– restricted deposit placed in a financial institution	–	5,000
– pledged bank deposit	9,994	10,149
– restricted bank balances	115,628	82,647
– bank balances and cash	85,856	31,097
	707,831	511,415
Available-for-sale investments	900	900
	708,731	512,346
Financial liabilities		
Other financial liabilities at amortised cost		
– trade and bills payables	308,266	265,181
– other payables and accruals	46,475	35,658
– amount due to an associate	–	37
– amounts due to related companies	4,453	1,666
– amounts due to directors	5,485	5,288
– loan from ultimate holding company	–	18,614
– bank overdrafts	6,257	7,991
– bank and other borrowings	247,971	175,460
	618,907	509,895

6. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies

The Group's principal financial instruments to raise finance for the Group's operations comprise bank and other borrowings, bank overdrafts, convertible bond and loan from ultimate holding company. The Group has various other financial instruments such as trade and bills receivables, other receivables, pledged bank deposit, restricted bank balances, restricted deposit placed in a financial institution, bank balances and cash, amounts due from related companies/associates, trade and bills payables, other payables and accruals and amounts due to an associate/related companies/directors, which arise directly from its operations.

The risks associated with these financial instruments include market risk (foreign currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(i) Foreign currency risk

Several subsidiaries of the Company have foreign currency sales which expose the Group to foreign currency risk. For the year ended 31 December 2009, approximately 6% (2008: 12%) of the Group's sales are denominated in currencies other than the functional currency of the group entity making the sale, whilst approximately 100% (2008: 100%) of costs are denominated in the group entity's functional currency.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting date are as follows:

	Liabilities		Assets	
	2009 RMB'000	2008 RMB'000	**2009 RMB'000**	2008 RMB'000
United States dollars ("USD")	**106**	187	**37,734**	41,748
Hong Kong dollars ("HK$")	**49,643**	38,363	**64,827**	27,020
Euro ("Euro")	**–**	–	**760**	83
Japanese Yen ("JPY")	**–**	–	**139**	950
Australian dollars ("AUD")	**–**	–	**1**	1
	49,749	38,550	**103,461**	69,802

6. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Market risk (Continued)

(i) Foreign currency risk (Continued)

The Group currently does not have a foreign currency hedging policy. However, management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Sensitivity analysis

The Group is mainly exposed to USD, and HK$ and Euro, and the directors of the Company consider that the risk exposed to JPY and AUD are not material.

The following table details the Group's sensitivity to a 10% (2008: 10%) increase or decrease in RMB against the relevant foreign currencies. 10% (2008: 10%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 10% (2008: 10%) change in foreign currency rates.

The following table demonstrates the sensitivity at the end of reporting period to a reasonably possible change in the USD, RMB and Euro exchange rate, with all other variables held constant, of the Group's (loss) profit before tax.

6. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Market risk (Continued)

(i) Foreign currency risk (Continued)

Sensitivity analysis (Continued)

For the year ended 31 December 2009	**Increase (decrease) in foreign exchange rate %**	**Increase (decrease) in loss before tax for the year RMB'000**
If RMB weakens against US$	**(10)**	**(3,763)**
If RMB strengthens against US$	**10**	**3,763**
If RMB weakens against HK$	**(10)**	**(1,518)**
If RMB strengthens against HK$	**10**	**1,518**
If RMB weakens against Euro	**(10)**	**(76)**
If RMB strengthens against Euro	**10**	**76**

For the year ended 31 December 2008	Increase (decrease) in foreign exchange rate %	Increase (decrease) in profit before tax for the year RMB'000
If RMB weakens against US$	(10)	4,156
If RMB strengthens against US$	10	(4,156)
If RMB weakens against HK$	(10)	(1,134)
If RMB strengthens against HK$	10	1,134
If RMB weakens against Euro	(10)	8
If RMB strengthens against Euro	10	(8)

6. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Market risk (Continued)

(ii) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate bank and other borrowings (see Note 36 for details of these borrowings). The Group historically has not used any financial instruments to hedge potential fluctuations in interest rates.

The Group's cash flow interest rate risk relates primarily to its variable rate bank borrowings as detailed in Note 36. It is the Group's policy to keep its borrowings at floating rate of interests so as to minimise the fair value interest rate risk.

The Group's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of the RMB based lending rate stipulated by the People's Bank of China arising from the Group's RMB denominated bank and other borrowings and bank balances.

Sensitivity analysis

The sensitivity analysis below is prepared assuming that a change in interest rates had occurred at the end of the reporting period and had been applied to the exposure to interest rate risk for financial instruments in existence at that date. The 100 basis points (2008: 100 basis points) increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates. The Group currently does not use any derivative contracts to hedge its exposure to interest rate risk. However, the management will consider hedging significant interest rate exposure should the need arise.

At 31 December 2009, if interest rates had been increased/decreased by 100 basis points and all other variables were held constant, the Group's loss before tax would increase/decrease by approximately RMB1,072,000 (2008: profit before tax would decrease/increase by approximately RMB466,000).

The Group's sensitivity to interest rates has decreased during the year ended 31 December 2009 mainly due to the increment in Group's variable rate bank deposits and bank and other borrowings.

6. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Credit risk

The Group's credit risk is primarily attributable to its amounts due from related companies and associates, trade and bills receivables, other receivables, restricted deposit placed in a financial institution, pledged bank deposit, restricted bank balances and bank balances. As at 31 December 2009 and 2008, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is the carrying amount of the respective recognised financial assets stated in the consolidated statement of financial position.

Amounts due from related companies and associates and trade debtors are continuously monitored by assessing the credit quality of the counterparties, taking into account their financial position, past experience and other factors. Where necessary, impairment loss is made for estimated irrecoverable amounts.

In order to minimise the credit risk in respect of trade receivables, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group's concentration of credit risk by geographical locations is mainly in the PRC, which accounted for approximately 100% (2008: 99%) of the trade receivables, amounts due from related companies in trade nature and amounts due from associates in trade nature (collectively referred as "Total Trade Receivables") as at 31 December 2009.

The Group has concentration of credit risk as approximately 60% (2008: 60%) and 92% (2008: 80%) of Total Trade Receivables was due from the Group's largest customers and the five largest customers.

The credit risk on liquid funds is limited because the counterparties are either authorised banks or a financial institution supervised by China Banking Regulory Commission in the PRC or banks with high credit ratings assigned by international credit-rating agencies.

Except for restricted deposit placed in a financial institution, pledged bank deposit and restricted bank balances, none of the Group's financial assets act as collaterals or other credit enhancements.

6. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank and other borrowings and ensures compliance with those loan covenants of the existing banking facilities.

Individual operating entities within the Group are responsible for their own cash management, including the short-term investment of cash surplus and the raising of loans to cover expected cash demands, subject to approval by the Company's directors when the borrowings exceed certain predetermined levels of authority.

The Group relies on bank and other borrowings as a significant source of liquidity. As at 31 December 2009, the Group's available unutilised banking facilities were approximately RMB129,189,000 (2008: RMB26,745,000).

The following table details the Group's remaining contractual maturities for its non-derivative financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

6. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

Liquidity tables

	0 to 180 days RMB'000	181 to 365 days RMB'000	Over 1 year RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
2009					
Non-derivative financial liabilities					
Trade and bills payables	**308,266**	**–**	**–**	**308,266**	**308,266**
Other payables and accruals	**46,475**	**–**	**–**	**46,475**	**46,475**
Amounts due to related companies	**4,453**	**–**	**–**	**4,453**	**4,453**
Amounts due to directors	**5,485**	**–**	**–**	**5,485**	**5,485**
Bank overdrafts	**6,722**	**–**	**–**	**6,722**	**6,257**
Bank and other borrowings	**111,538**	**109,882**	**38,950**	**260,370**	**247,971**
	482,939	**109,882**	**38,950**	**631,771**	**618,907**
2008					
Non-derivative financial liabilities					
Trade and bills payables	265,181	–	–	265,181	265,181
Other payables and accruals	35,658	–	–	35,658	35,658
Amount due to an associate	37	–	–	37	37
Amounts due to related companies	1,666	–	–	1,666	1,666
Amounts due to directors	5,288	–	–	5,288	5,288
Loan from ultimate holding company	18,614	–	–	18,614	18,614
Bank overdrafts	8,267			8,267	7,991
Bank and other borrowings	95,457	90,366	–	185,823	175,460
	430,168	90,366	–	520,534	509,895

6. FINANCIAL INSTRUMENTS (Continued)

c. Fair value

The fair values of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

The fair value of derivative instruments is calculated using quoted prices. Where such prices are not available, use is made of discounted cash flow analysis using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values due to short-term maturities.

7. REVENUE

Revenue represents the revenue arising on construction contracts, commission income received from agency sales transaction and amounts received and receivable for goods sold net of discounts and sales related taxes. An analysis of the Group's revenue for the year is as follows:

	2009 **RMB'000**	2008 RMB'000
Sales of goods	**372,436**	583,633
Revenue from construction contracts	**65,400**	13,848
Commission income	**9,190**	36,036
Gross rental income from investment properties *(Note)*	**8,000**	6,174
	455,026	639,691

Note: Direct operating expenses from investment properties included in administrative expenses that generated rental income during the year ended 31 December 2009 was approximately RMB462,000 (2008: RMB386,000).

8. SEGMENT INFORMATION

The Group has adopted HKFRS 8 "Operating Segments" with effect from 1 January 2009. HKFRS 8 is a disclosure standard that requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker for the purpose of allocating resources to segments and assessing their performance. In contrast, the predecessor standard (HKAS 14 "Segment Reporting") required an entity to identify two sets of segments (business and geographical) using a risks and returns approach, with the entity's "system of internal financial reporting to key management personnel" serving only as the starting point for identification of such segments. In the past, the Group's primary reporting format was business segments. The application of HKFRS 8 has not resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14. Nor has the adoption of HKFRS 8 changed the basis of measurement of segment profit or loss.

The Group's operating and reportable segments under HKFRS 8 are therefore 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.

8. SEGMENT INFORMATION (Continued)

Segment revenues and results

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

For the year ended 31 December 2009

	Automobile equipment RMB'000	Buses RMB'000	Automobile spare parts RMB'000	Property investment RMB'000	Total RMB'000
REVENUE	197,060	120,722	129,244	8,000	455,026
Segment profit (loss)	(32,369)	451	6,419	(11,281)	(36,780)
Unallocated corporate expenses					(28,594)
Unallocated other revenue					2,420
Share of loss of associates					(381)
Finance costs					(20,929)
Loss before tax					(84,264)

8. SEGMENT INFORMATION (Continued)

Segment revenues and results (Continued)

For the year ended 31 December 2008

	Automobile equipment RMB'000	Buses RMB'000	Automobile spare parts RMB'000	Property investment RMB'000	Total RMB'000
REVENUE	189,679	201,387	242,451	6,174	639,691
Segment profit (loss)	(14,674)	23,346	20,566	14,282	43,520
Unallocated corporate expenses					(10,370)
Unallocated other revenue					2,940
Finance costs					(17,974)
Profit before tax					18,116

The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 3. Segment profit (loss) represents the profit earned by or loss from each segment without allocation of central administration costs, directors' salaries, bank interest income and finance costs. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

8. SEGMENT INFORMATION (Continued)

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable segment:

Segment assets	2009 RMB'000	2008 RMB'000
Automobile equipment	**189,584**	220,434
Buses	**223,361**	170,122
Automobile spare parts	**302,909**	208,751
Property investment	**126,319**	129,893
Total segment assets	**842,173**	729,200
Unallocated corporate assets	**235,075**	184,879
Consolidated assets	**1,077,248**	914,079

Segment liabilities	2009 RMB'000	2008 RMB'000
Automobile equipment	**138,038**	132,583
Buses	**49,488**	87,398
Automobile spare parts	**212,462**	99,615
Property investment	**153**	159
Total segment liabilities	**400,141**	319,755
Unallocated corporate liabilities	**302,662**	255,144
Consolidated liabilities	**702,803**	574,899

8. SEGMENT INFORMATION (Continued)

Segment assets and liabilities (Continued)

For the purposes of monitoring segment performance and allocating resources between segments:

– all assets are allocated to operating segment assets other than interests in associates, prepayments for interests in associates, available-for-sale investments, deferred tax assets, held for trading investments, restricted deposit placed in a financial institution, pledged bank deposit, restricted bank balances, bank balances and cash, the equipment of head office and part of prepayments and other receivables.

– all liabilities are allocated to operating segment liabilities other than amounts due to directors, loan from ultimate holding company, tax payable, bank overdrafts, bank and other borrowings, deferred tax liabilities and part of other payables and accruals.

8. SEGMENT INFORMATION (Continued)

Other segment information

For the year ended 31 December 2009

	Automobile equipment RMB'000	Buses RMB'000	Automobile spare parts RMB'000	Property investment RMB'000	Unallocated RMB'000	Total RMB'000
Amounts included in the measure of segment profit or loss or segment assets:						
Addition to non-current assets *(Note)*	3,666	4,016	201	–	–	7,883
Depreciation of property, plant and equipment	5,443	1,790	211	–	16	7,460
Gain on disposal of property, plant and equipment	(333)	–	–	–	–	(333)
Amortisation on prepaid lease payments	185	785	–	–	–	970
Reversal of impairment loss on inventories	(747)	–	–	–	–	(747)
Impairment loss on trade receivables	17,636	6,618	–	–	–	24,254
Impairment loss on other receivables	615	6,137	3,151	–	–	9,903
Decrease in fair value of investment properties	–	–	–	19,370	–	19,370
Waiver of other payables and accruals	(171)	–	(291)	–	–	(462)
Waiver of trade payables	(4,731)	–	(291)	–	–	(5,022)

8. SEGMENT INFORMATION (Continued)

Other segment information (Continued)

For the year ended 31 December 2009

	Automobile equipment RMB'000	Buses RMB'000	Automobile spare parts RMB'000	Property investment RMB'000	Unallocated RMB'000	Total RMB'000
Amounts regularly provided to the chief operating decision marker but not included in the measure of segment profit or loss on segment assets:						
Interests in associates	–	18,079	–	–	–	18,079
Interest revenue	(1,773)	(645)	(2)	–	–	(2,420)
Interest expenses	8,369	6,219	6,232	109	–	20,929
Income tax expenses	28,423	1,046	–	–	–	29,469

Note: Non-current assets excluded those interests in associates, prepayments for investment in associates, available-for-sale investments and deferred tax assets.

8. SEGMENT INFORMATION (Continued)

Other segment information (Continued)

For the year ended 31 December 2008

	Automobile equipment RMB'000	Buses RMB'000	Automobile spare parts RMB'000	Property investment RMB'000	Unallocated RMB'000	Total RMB'000
Amounts included in the measure of segment profit or loss on segment assets:						
Addition to non-current assets *(Note)*	5,201	6,970	858	–	–	13,029
Depreciation of property, plant and equipment	5,171	621	66	–	104	5,962
Loss on disposal of property, plant and equipment	18	–	–	–	–	18
Write off of property, plant and equipment	157	–	–	–	–	157
Amortisation on prepaid lease payments	276	785	–	–	–	1,061
Impairment loss on inventories	2,055	–	–	–	–	2,055
Recognition of expected losses for contract work	10,160	–	–	–	–	10,160
Impairment loss on trade receivables	15,340	–	–	–	–	15,340
Impairment loss on prepayments and other receivables	–	2,980	–	–	–	2,980
Increase in fair value of investment properties	–	–	–	(8,108)	–	(8,108)
Waiver of trade payables	(3,622)	–	–	–	–	(3,622)
Waiver of other payables and accruals	(1,856)	(335)	–	–	–	(2,191)

8. SEGMENT INFORMATION (Continued)

Other segment information (Continued)

For the year ended 31 December 2008

	Automobile equipment RMB'000	Buses RMB'000	Automobile spare parts RMB'000	Property investment RMB'000	Unallocated RMB'000	Total RMB'000
Amounts regularly provided to the chief operating decision marker but not included in the measure of segment profit or loss on segment assets:						
Interest revenue	(2,345)	(591)	(4)	–	–	(2,940)
Interest expenses	9,407	5,050	3,483	34	–	17,974
Income tax (credit) expenses	(1,222)	8,006	3,654	–	–	10,438

Note: Non-current assets excluded those interests in associates, prepayments for investment in associates, available-for-sale investments and deferred tax assets.

8. SEGMENT INFORMATION (Continued)

Geographical information

The Group operates in three principal geographical areas – the PRC, Europe and Asia other than the PRC.

The Group's revenue from external customers and information about its non-current assets by geographical location are detailed below:

	Revenue from external customers		Non-current assets	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
The PRC (country of domicile)	**437,353**	599,347	**219,772**	242,142
Europe	**4,963**	18,420	**–**	–
Asia other than the PRC	**4,074**	8,643	**25,782**	24,164
Others	**8,636**	13,281	**–**	–
	455,026	639,691	**245,554**	266,306

Note: Non-current assets exclude interests in associates, prepayments for interests in associates, available-for-sale investments and deferred tax assets.

Information about major customers

Revenue from customers of the corresponding years contributing over 10% of the turnover of the Group is as follows:

	2009	2008
	RMB'000	RMB'000
Customer A[1]	**135,000**	243,696

[1] Revenue from automobile spare parts and property investment.

9. OTHER REVENUE

	2009	2008
	RMB'000	RMB'000
Sales of raw materials	**4,185**	3,019
Interest income	**2,420**	2,940
Waiver of trade payables	**5,022**	3,622
Waiver of other payables and accruals	**462**	2,191
Government grants *(Note)*	**–**	2,053
Recovery of impairment loss on an investment	**–**	1,810
Gain on disposal of held for trading investments	**26**	–
Gain on disposal of property, plant and equipment	**333**	–
Others	**1,048**	2,018
	13,496	17,653

Note: Pursuant to the notices issued by the relevant government authorities, a PRC subsidiary of the Company was entitled to enjoy subsidies for business development of automobile equipment.

10. FINANCE COSTS

	2009	2008
	RMB'000	RMB'000
Interest on bank overdrafts, bank and other borrowings wholly repayable within five years	**11,683**	14,208
Interest on discounted bills	**6,216**	3,766
Effective interest expense on convertible bond (Note 37)	**256**	–
Total interest	**18,155**	17,974
Loss on early redemption of convertible bond	**5**	–
Debt extinguishment loss (Note 37)	**2,769**	–
	20,929	17,974

11. INCOME TAX EXPENSE

	2009 RMB'000	2008 RMB'000
Current tax:		
– PRC Enterprise Income Tax ("EIT")	**3,678**	13,768
– Hong Kong Profits Tax	**–**	–
	3,678	13,768
Over provision in prior years:		
– EIT	**–**	(90)
– Hong Kong Profits Tax	**–**	(210)
	–	(300)
Deferred tax (Note 23):		
– Current year	**25,791**	(3,030)
	29,469	10,438

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulations of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards except for Yancheng Ausen Industrial Equipment Manufacture Co., Ltd. ("Ausen Industrial Equipment").

Pursuant to an approval document dated 20 December 2004 issued by the State Tax Bureau of Yancheng, Ausen Industrial Equipment, being a foreign investment enterprise, is qualified as a production enterprise and entitles to EIT exemption for the years 2004 and 2005 and a 50% reduction in EIT for the years from 2006 to 2008. On 16 March 2007, the PRC promulgated the Law of the PRC on Enterprise Income Tax (the "New Law") by Order No.63 issued by the Tenth National People's Congress. On 6 December 2007, the State Council of the PRC issued Implementation Regulations of the New Law. The New Law and Implementation Regulations changed the tax rate from 1 January 2008 onwards. The application of the New Law has not altered the entitlement of Ausen Industrial Equipment for the preferential tax rate. The applicable income tax rate of Ausen Industrial Equipment is 25% (2008: 12.5%) due to the expiry of tax holidays and concessions.

11. INCOME TAX EXPENSES (Continued)

On 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which reduced corporate profits tax rate from 17.5% to 16.5%, which is effective from the year of assessment 2008/2009. No provision for Hong Kong Profits Tax has been made for the year ended 31 December 2009 as the Group does not have any assessable profits subject to Hong Kong Profits Tax for the year (2008: Nil).

The tax charge for the years can be reconciled to the (loss) profit before tax per the consolidated income statement as follows:

	2009 **RMB'000**	2008 RMB'000
(Loss) profit before tax	**(84,264)**	18,116
Tax at the domestic income tax rate of 25% (2008: 25%)	**(21,066)**	4,529
Tax effect of expense not deductible for income tax purpose	**2,771**	7,705
Tax effect of deductible temporary difference not recognised	**10,382**	–
Reversal of deferred tax assets	**31,136**	–
Tax effect of tax losses not recognised	**6,191**	3,230
Tax effect of share loss of associates	**95**	–
Effect of tax exemptions granted to the PRC subsidiaries	**–**	(91)
Over provision in respect of prior year	**–**	(300)
Utilisation of tax losses previously not recognised	**(40)**	(4,635)
Tax charge for the year	**29,469**	10,438

12. (LOSS) PROFIT FOR THE YEAR

(Loss) profit for the year has been arrived at after charging (crediting):

	2009 RMB'000	2008 RMB'000
Amortisation on prepaid lease payments	**970**	1,061
Auditor's remuneration	**1,742**	1,321
Reversal of impairment loss on inventories (included in cost of sales)	**(747)**	–
Impairment loss on inventories (included in cost of sales)	**–**	2,055
Recognition of expected losses for contract work (included in cost of sales)	**–**	10,160
Change in fair value of held for trading investments	**–**	69
Net foreign exchange (gain) losses	**(162)**	1,258
Impairment loss on prepayments for investments in associates (included in administrative expenses) (Note 21)	**438**	36
Cost of inventories recognised as an expense	**361,433**	514,233
Depreciation on property, plant and equipment	**7,460**	5,962
(Gain) loss on disposal of property, plant and equipment	**(333)**	18
Write off of property, plant and equipment (included in administrative expenses)	**–**	157
Equity-settled share-based payments to consultants	**8,526**	–
Staff costs (excluding directors' emoluments) (Note 13)		
– Salaries and wages	**20,320**	25,900
– Retirement benefits scheme contributions	**2,422**	2,847
– Equity-settled share-based payments	**2,131**	–
Total staff costs	**24,873**	28,747
Minimum lease payments under operating lease charges	**1,281**	1,326

13. DIRECTORS' EMOLUMENTS

The emoluments paid or payable to each of the 7 (2008: 7) directors were as follows:

	Directors' fees RMB'000	Salaries and other benefits RMB'000	Equity-settled share-based payments RMB'000	Retirement benefit scheme contributions RMB'000	Total RMB'000
For the year ended 31 December 2009					
Executive director					
Xu Lian Guo	992	180	–	–	1,172
Xu Lian Kuan	793	180	–	–	973
Zhang Yuqing	793	180	213	–	1,186
Kwok Ming Fai	793	–	213	10	1,016
Independent non-executive director					
Gu Yao Tian	87	–	–	–	87
Sun Ka Ziang Henry	87	–	–	–	87
Li XinZhong	87	–	–	–	87
	3,632	540	426	10	4,608

13. DIRECTORS' EMOLUMENTS (Continued)

	Directors' fees RMB'000	Salaries and other benefits RMB'000	Equity-settled share-based payments RMB'000	Retirement benefit scheme contributions RMB'000	Total RMB'000
For the year ended 31 December 2008					
Executive director					
Xu Lian Guo	1,011	180	–	–	1,191
Xu Lian Kuan	808	180	–	–	988
Zhang Yuqing	810	180	–	–	990
Kwok Ming Fai	712	–	–	48	760
Independent non-executive director					
Gu Yao Tian	89	–	–	–	89
Sun Ka Ziang Henry	89	–	–	–	89
Li XinZhong	89	–	–	–	89
	3,608	540	–	48	4,196

None of the directors of the Company waived or agreed to waive any emoluments paid by the Group. No emoluments have been paid by the Group to the directors of the Company as inducement to join or upon joining the Group, or as compensation for loss of office during the two years ended 31 December 2009 and 2008.

The remuneration of directors is determined by the Remuneration Committee having regard to the performance of individuals and market trends.

14. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, four (2008: four) were directors of the Company whose emoluments are included in the disclosures in Note 13 above. The emolument of the one (2008: one) individual was as follows:

	2009	2008
	RMB'000	RMB'000
Salaries and other benefits	**243**	641
Contributions to retirement benefit schemes	**11**	11
Equity-settled share-based payments	**2,131**	–
	2,385	652

Their emoluments fall within the following bands:

	Number of employees	
	2009	2008
Nil-HK$1,000,000 (equivalent to RMB872,800)	**–**	1
HK$2,500,001 to HK$3,000,000 (equivalent to RMB2,182,001 to RMB2,618,400)	**1**	–

No emoluments were paid to the five highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office in the two years ended 31 December 2009 and 2008.

15. DIVIDENDS

No dividend was paid or proposed during 2009, nor has any dividend been proposed since the end of the reporting period (2008: Nil).

16. (LOSS) EARNINGS PER SHARE

The calculation of the basic and diluted (loss) earnings per share attributable to owners of the Company are based on the following data.

(Loss) earnings	**2009 RMB'000**	2008 RMB'000
(Loss) profit for the year attributable to owners of the Company for the purposes of basic and diluted (loss) earnings per share	**(91,790)**	16,198

Number of shares	**2009 '000**	2008 '000 (restated)
Weighted average number of ordinary shares for the purposes of basic loss (earnings) per share	**755,308**	593,766
Effect of dilutive potential ordinary shares: Share options	**–**	7,095
Weighted average number of ordinary shares for the purposes of diluted loss (earnings) per share	**755,308**	600,861

The weighted average number of ordinary shares for the year ended 31 December 2008 has been adjusted retrospectively for the effect due to the bonus element in the open offer completed in July 2009. Details of the Company's open offer with bonus issue are included in Note 39.

Diluted loss per share and basic loss per share for the year ended 31 December 2009 were the same, as the conversion of convertible bond and exercise of share options would result in reduction in loss per share.

17. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Leasehold improvements RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Furniture and equipment RMB'000	Construction in progress RMB'000	Total RMB'000
COST							
At 1 January 2008	72,626	620	14,173	6,164	2,259	30,943	126,785
Additions	2,308	29	2,243	1,647	1,165	5,637	13,029
Transfer from construction in progress	27,188	–	1,361	–	289	(28,838)	–
Reclassification as investment properties (Note 19)	–	–	–	–	–	(7,742)	(7,742)
Disposals/Write off	(157)	–	–	(346)	(4)	–	(507)
Exchange adjustments	–	(30)	–	–	(5)	–	(35)
At 31 December 2008 and 1 January 2009	**101,965**	**619**	**17,777**	**7,465**	**3,704**	**–**	**131,530**
Additions	**292**	**–**	**4,132**	**3,232**	**227**	**–**	**7,883**
Disposals	**–**	**–**	**–**	**(886)**	**–**	**–**	**(886)**
Exchange adjustments	**–**	**(9)**	**–**	**–**	**–**	**–**	**(9)**
At 31 December 2009	**102,257**	**610**	**21,909**	**9,811**	**3,931**	**–**	**138,518**

17. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Buildings RMB'000	Leasehold improvements RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Furniture and equipment RMB'000	Construction in progress RMB'000	Total RMB'000
DEPRECIIATION							
At 1 January 2008	12,778	530	8,928	1,935	1,218	–	25,389
Charge for the year	3,476	88	855	1,130	413	–	5,962
Eliminated on disposals	–	–	–	(27)	–	–	(27)
Exchange adjustments	–	(26)	–	–	(1)	–	(27)
At 31 December 2008 and 1 January 2009	**16,254**	**592**	**9,783**	**3,038**	**1,630**	**–**	**31,297**
Charge for the year	**4,292**	**6**	**1,438**	**1,261**	**463**	**–**	**7,460**
Eliminated on disposals	**–**	**–**	**–**	**(424)**	**–**	**–**	**(424)**
Exchange adjustments	**–**	**(9)**	**–**	**–**	**–**	**–**	**(9)**
At 31 December 2009	**20,546**	**589**	**11,221**	**3,875**	**2,093**	**–**	**38,324**
CARRYING VALUES							
At 31 December 2009	**81,711**	**21**	**10,688**	**5,936**	**1,838**	**–**	**100,194**
At 31 December 2008	85,711	27	7,994	4,427	2,074	–	100,233

17. PROPERTY, PLANT AND EQUIPMENT (Continued)

The above items of property, plant and equipment, other than construction in progress, are depreciated on a straight-line basis, after taking into account of their estimated residual values, at the following rates per annum:

Description	Useful Life	Residual value
Buildings	10 – 48 years	10%
Leasehold improvements	2 years or over the relevant terms of lease, if shorter	Nil
Plant and machinery	10 years	10%
Motor vehicles	5 years	0% – 10%
Furniture and equipment	Up to 7 years	0% – 10%

All buildings of the Group were located in the PRC and held under medium-term leases.

At 31 December 2009, the building ownership certificates of certain buildings have not been granted by the relevant government authorities with the aggregate values of the Company approximately RMB34,677,000 (2008: RMB64,780,000). In the opinion of the directors of the Company, the absence of building ownership certificates to these buildings does not impair the value of the relevant buildings to the Group.

Details of the property, plant and equipment pledged are set out in Note 38.

18. PREPAID LEASE PAYMENTS

	2009	2008
	RMB'000	RMB'000
Analysed for reporting purposes as:		
Current assets	**970**	970
Non-current assets	**41,544**	42,514
	42,514	43,484
The Group's prepaid lease payments comprise:		
Leasehold land in the PRC:		
Medium-term lease	**42,514**	43,484

Detail of the prepaid lease payments pledged are set out in Note 38.

19. INVESTMENT PROPERTIES

	2009	2008
	RMB'000	RMB'000
FAIR VALUE		
At 1 January	**123,559**	96,889
Reclassifications		
– from property, plant and equipment (Note 17)	**–**	7,742
– from prepaid lease payments (Note 18)	**–**	12,328
– fair value change upon date of transfer	**–**	5,551
Change in fair value	**(19,370)**	2,557
Exchange adjustments	**(373)**	(1,508)
At 31 December	**103,816**	123,559

19. INVESTMENT PROPERTIES (Continued)

The fair values of the Group's investment properties at 31 December 2009 and 2008 have been arrived at on the basis of a valuation carried out on that date by Castores Magi (Hong Kong) Limited, an independent qualified professional valuer not connected to the Group. Castores Magi (Hong Kong) Limited is a member of the Institute of Valuers, and has appropriate qualifications and recent experience in the valuation of similar properties in the relevant locations. The valuation was arrived by using open market value and depreciated replacement cost method which involve certain assumptions of market conditions.

All of the Group's properties interests held under operating leases to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties. Gross rental income generated from the investment properties during the year amounted to approximately RMB8,000,000 (2008: RMB6,174,000).

Details of the investment properties pledged are set out in Note 38.

The carrying value of investment properties shown above comprises:

	2009 **RMB'000**	2008 RMB'000
In Hong Kong under medium-term lease	**25,746**	24,108
In the PRC under medium-term lease	**78,070**	99,451
	103,816	123,559

20. INTERESTS IN ASSOCIATES

	2009 **RMB'000**	2008 RMB'000
Cost of investment in unlisted associates	**18,464**	4
Share of post-acquisition loss and other comprehensive expenses	**(385)**	(4)
	18,079	–

20. INTERESTS IN ASSOCIATES (Continued)

On 17 April 2009, the Group completed the acquisition of 20% equity interest in Yancheng Zhongwei Bus Manufacturing Company Limited ("Zhongwei Bus") from Zhongda Industrial Group Corporation ("Zhongda Industrial Group"), a related company with common directors of the Company. The consideration was approximately RMB18,460,000. The amount of goodwill arising on acquisition of an associate was approximately RMB14,881,000 included in interests in associates. Details of the acquisition were set out in a circular of the Company dated 24 July 2008.

As at 31 December 2009 and 2008, the Group had interests in the following associates:

Name of entity	Form of entity	Place of incorporation/ operation	Class of share held	Proportion of nominal value of issued capital held by the Group	Proportion of voting power held	Principal activities
Zhongwei Bus	Incorporated	PRC	Contributed capital	20%	20%	Manufacturing and trading of motor vehicles and automobile spare parts and provision of maintenance services for motor vehicles
Zhongda EMS Limited	Incorporated	Hong Kong	Ordinary share capital	40%	40%	Trading of environmental detergents for the automobile industry in Hong Kong
Yancheng Zhongda EMS Cleaning Equipment Co., Ltd	Incorporated	PRC	Contributed capital	40%	40%	Trading of environmental detergents for the automobile industry in the PRC

20. INTERESTS IN ASSOCIATES (Continued)

Included in the cost of investment in unlisted associates is goodwill of approximately RMB14,881,000 (2008: Nil) arising on acquisition of an associate during the year ended 31 December 2009. The movement of goodwill is set out below.

COST	**RMB'000**
At 1 January 2009	**–**
Arising on acquisition of associates	**14,881**
At 31 December 2009	**14,881**

The summarised financial information in respect of the Group's associates is set out below:

	2009 RMB'000	2008 RMB'000
Total asset	**670,363**	989
Total liabilities	**(655,125)**	(1,392)
Net assets (liabilities)	**15,238**	(403)
Group's share of net assets of associates	**3,198**	–
Total revenue	**151,719**	234
Loss for the year	**(2,667)**	(85)
Group's share of result of associates for the year	**(381)**	–

20. INTERESTS IN ASSOCIATES (Continued)

The Group has discontinued recognition of its share of loss of certain associates. The amounts of unrecognised share of loss of those associates, extracted from the relevant management accounts of the associates, both for the year and cumulatively, are as follows:

	2009 **RMB'000**	2008 RMB'000
Unrecognised share of loss of associates for the year	**306**	34
Accumulated unrecognised share of losses of associates	**474**	168

21. PREPAYMENTS FOR INVESTMENTS IN ASSOCIATES

	2009 **RMB'000**	2008 RMB'000
At 1 January	**18,898**	474
Addition	**–**	18,460
Transfer to interests in associates (Note 20)	**(18,460)**	–
Impairment loss recognised	**(438)**	(36)
At 31 December	**–**	18,898

On 24 July 2008, Ausen Industrial Equipment had entered into an equity transfer agreement (the "Agreement") with Zhongda Industrial Group, a related company, for the acquisition of 20% equity interest of Zhongwei Bus for the consideration of approximately RMB18,460,000 (equivalent to HK$21,000,000). The consideration was paid by Ausen Industrial Equipment to Zhongda Industrial Group on 9 October 2008. Since the conditions as set out in the Agreement had not been fully fulfilled as at 31 December 2008, the amount paid was regarded as prepayments for investments in associates in the consolidated statement of financial position at that date.

On 17 April 2009, the Group completed the acquisition of 20% equity interest in Zhongwei Bus from Zhongda Industrial Group. Details of the acquisition were set out in a circular of the Company dated 24 July 2008.

21. PREPAYMENTS FOR INVESTMENTS IN ASSOCIATES (Continued)

Besides, the Group had made a prepayment of approximately RMB1,087,000 to Yancheng Zhongda Ceccato Washing Systems Co., Ltd. ("Zhongda Ceccato") in 2006, which represented 8.35% of its total registered capital. According to an agreement signed in April 2004, the Group is required to contribute approximately USD735,000 representing 49% of the total registered capital of Zhongda Ceccato. During the year ended 31 December 2009, the relevant company has not yet commenced its business and no further capital injection has been made by the Group.

Zhongda Ceccato reported capital deficiency of approximately RMB644,000 as at 31 December 2009. The directors of the Company considered that no future cash inflow can be generated from Zhongda Ceccato. Accordingly, the prepayment for investment in Zhongda Ceccato of approximately RMB438,000 (2008: RMB36,000) had been impaired during the year ended 31 December 2009.

22. AVAILABLE-FOR-SALE INVESTMENTS

Available-for-sale investments comprise:

	2009	2008
	RMB'000	RMB'000
Unlisted equity securities	**900**	900
Analysed for reporting purposes as:		
Non-current assets	**900**	900

The above unlisted investments represent investments in unlisted equity securities issued by a private entity incorporated in the PRC. They are measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that their fair values cannot be measured reliably.

23. DEFERRED TAXATION

The followings are the major deferred tax assets (liabilities) recognised and movements thereon during the current and prior years:

	Impairment loss on trade receivables	Impairment loss on prepayments and other receivables	Recognition of expected losses for contract work	Impairment loss on inventories	Accelerated depreciation	Change in fair value of properties	Estimated tax losses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2008	13,715	–	4,276	1,113	(1,674)	–	–	17,430
Credited (charged) to profit or loss (Note 11)	3,835	745	2,540	514	937	(10,676)	5,135	3,030
At 31 December 2008	**17,550**	**745**	**6,816**	**1,627**	**(737)**	**(10,676)**	**5,135**	**20,460**
Credited (charged) to profit or loss (Note 11)	**(17,550)**	**(745)**	**(6,816)**	**(1,627)**	**737**	**5,345**	**(5,135)**	**(25,791)**
At 31 December 2009	**-**	**-**	**-**	**-**	**-**	**(5,331)**	**-**	**(5,331)**

Under the New Law, withholding tax is imposed on dividends declared in respect of profits earned by the PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to the profits earned by the PRC subsidiaries amounting to RMB76,262,000 (2008: RMB138,459,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

At the end of the reporting period, the Group has unused tax losses of approximately RMB50,226,000 (2008: RMB5,082,000) available to offset against future profits. No deferred tax asset has been recognised in respect of these tax losses due to the unpredictability of future profit streams. No deferred tax asset has been recognised in respect of such losses due to the unpredictability of future profit streams. These unrecognised losses will expire in 2010 to 2014.

23. DEFERRED TAXATION (Continued)

At the end of the reporting period, the Group has deductible temporary differences of approximately RMB145,532,000 (2008: Nil). No deferred tax asset has been recognised in relation to such deductible temporary difference as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	2009 RMB'000	2008 RMB'000
Deferred tax assets	**–**	32,188
Deferred tax liabilities	**(5,331)**	(11,728)
	(5,331)	20,460

24. INVENTORIES

	2009 RMB'000	2008 RMB'000
Raw materials	**20,180**	28,805
Work in progress	**4,559**	27,866
Finished goods	**6,129**	8,359
	30,868	65,030
Less: Impairment loss recognised	**(5,702)**	(6,449)
	25,166	58,581

During the year ended 31 December 2009, there was a significant increase in net realisable value of raw materials due to market shortage in raw materials. As a result, a reversal of write-down of raw materials of approximately of RMB747,000 (2008: Nil) which has been recognised and included in cost of sales for the year ended 31 December 2009.

25. AMOUNTS DUE FROM RELATED COMPANIES

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

	Notes	2009 RMB'000	2008 RMB'000	Maximum amounts outstanding during the year RMB'000
Zhongwei Bus [1]	i & ii	**–**	208,468	296,626
Yancheng Zhongda Automobile Service Co., Ltd. [1]	i & ii	**13**	10	13
Zhongda Industrial Group [1]	i & ii	**10,206**	14,867	20,842
Yancheng Zhongda International Trading Co., Ltd. ("International Trading") [1]	i & ii	**104,327**	39,766	104,327
Nanjing Jinlin Double-decker Bus Manufacture Co. ("Nanjing Jinling") [3]	i	**7,678**	6,926	7,678
Yancheng Celette Body Repairing Equipment Co., Ltd. ("Yancheng Celette") [2]	i & ii	**364**	177	364
Yancheng Sheung Tong Auto Sales Co., Ltd. ("Yancheng Sheung Tong")[4, 5]	i & ii	**–**	165	165
Ausen Co., Ltd.[4]	i & ii	**139**	–	139
Jiangsu Zhongda Auto Sales Co., Ltd. [4]	i & ii	**90**	–	90
		122,817	270,379	
Less: Impairment loss recognised		**(7,678)**	–	
		115,139	270,379	

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.

25. AMOUNTS DUE FROM RELATED COMPANIES (Continued)

Notes:

(i) The amounts are unsecured, interest-free.

(ii) The amounts are mainly trading in nature.

The Group allows credit period of 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.

	2009 **RMB'000**	2008 RMB'000
0-180 days	**74,406**	126,229
181-365 days	**8,000**	40,536
Over 1 year	**32,733**	103,614
Total	**115,139**	270,379

Included in the amounts due from related companies are balances of approximately RMB40,733,000 (2008: RMB144,150,000) which are past due at the end of the reporting period for which the Group has not provided for impairment loss as there has not been a significant change in credit quality. The Group does not hold any collateral over these balances.

Ageing of amounts due from related companies which are past due but not impaired are as follows:

	2009 **RMB'000**	2008 RMB'000
Neither past due nor impaired	**74,406**	126,229
Over 181-365 days	**8,000**	40,536
Over 1 year	**32,733**	103,614
Total	**115,139**	270,379

The Group's neither past due nor impaired amounts due from related companies mainly represent sales and purchases with related companies. They usually settled the accounts in accumulated amounts thereby lengthen the age of these receivables.

25. AMOUNTS DUE FROM RELATED COMPANIES (Continued)

In determining the recoverability of amounts due from related companies, the Group considers any change in credit quality of amounts due from related companies from the date credit was initially granted up to the end of the reporting period. In view of the good settlement repayment history from the debtors of the Group, the directors consider that there is no further credit provision required in excess of the impairment loss recognised for the year.

At 31 December 2009, the impairment loss recognised represented an advance to a related company. In view of financial difficulties of Nanjing Jinling, the directors of the Company considered that the possibility of recovery of approximately RMB7,678,000 is remote and impossible. Full impairment was made during the year ended 31 December 2009.

At 31 December 2009, amounts due from related companies of approximately RMB36,331,000 (2008: RMB39,736,000) and RMB106,000 (2008: RMB187,000) are denominated in HK$ and USD respectively.

26. AMOUNTS DUE FROM ASSOCIATES

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

	2009 **RMB'000**	2008 RMB'000	Maximum amount outstanding during the year RMB'000
Zhongda EMS Limited	**698**	705	705
Zhongwei Bus	**286,785**	–	296,626
	287,483	705	

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

The Group allows credit period of 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.

26. AMOUNTS DUE FROM ASSOCIATES (Continued)

	2009 **RMB'000**	2008 RMB'000
0-365 days	**135,000**	705
Over 1 year	**152,483**	–
Total	**287,483**	705

Included in the amounts due from associates are balances are balances of approximately RMB152,483,000 (2008: Nil) which are past due at the end of the reporting period for which the Group has not provided for impairment loss as there has not been a significant change in credit quality. The Group does not hold any collateral over these balances.

Ageing of amounts due from associates which are past due but not impaired are as follows:

	2009 **RMB'000**	2008 RMB'000
Neither past due nor impaired	**135,000**	705
Over 1 year	**152,483**	–
Total	**287,483**	705

The Group's neither past due nor impaired amounts due from associates mainly represent the sales made to Zhongwei Bus. They usually settled the accounts in accumulated amounts thereby lengthen the age of these receivables.

In determining the recoverability of amounts due from associates, the Group considers any change in credit quality of amounts due from associates from the date credit was initially granted up to the reporting date. In view of the good settlement repayment history from the associates of the Group, the directors consider that there is no credit provision required for the year.

At 31 December 2009, amounts due from associates of approximately RMB698,000 (2008: RMB705,000) are denominated in HK$.

27. TRADE AND BILLS RECEIVABLES

	2009 RMB'000	2008 RMB'000
Trade receivables	**172,061**	164,409
Less: Impairment loss recognised	**(94,460)**	(70,206)
	77,601	94,203
Bill receivables	**300**	1,515
	77,901	95,718

The Group allows credit period ranging from 30 to 365 days (2008: 30 to 180 days) to its trade customers. The Group granted a longer credit period to the loyal 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 on trade receivables presented based on the invoice date at the end of the end of the reporting period.

	2009 RMB'000	2008 RMB'000
0-180 days	**49,148**	68,383
181-365 days	**28,453**	8,886
1-2 years	**–**	10,199
Over 2 years	**–**	6,735
Total	**77,601**	94,203

Included in the Group's trade receivables are debtors with an aggregate carrying amount of approximately RMB39,000,000 (2008: RMB58,906,000) which are past due at the reporting date for which the Group has not provided for impairment loss as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

27. TRADE AND BILLS RECEIVABLES (Continued)

Ageing of trade receivables which are past due but not impaired is as follows:

	2009 RMB'000	2008 RMB'000
0-180 days	**10,597**	33,086
181-365 days	**28,453**	8,886
1-2 years	**–**	10,199
Over 2 years	**–**	6,735
Neither past due nor impaired	**38,551**	94,203
Total	**77,601**	153,109

The Group's neither past due nor impaired trade receivables mainly represent sales made to sale agents which widely spread over different locations in the PRC. They usually settled the accounts in accumulated amounts thereby lengthen the age of these receivables. In this regards, sales are required to be made to recognised and creditworthy customers. These customers who trade on credit terms are subject to credit verification procedures.

In determining the recoverability of a trade receivable, the Group considers any change in credit quality of the trade receivable from the date credit was initially granted up to the reporting date. In view of the good settlement repayment history from the debtors of the Group, the directors consider that there is no further credit provision required in excess of the impairment loss recognised for the year.

Movement in the impairment loss on trade receivables is as follows:

	2009 RMB'000	2008 RMB'000
Balance at beginning of the year	**70,206**	54,866
Impairment loss recognised	**24,254**	15,340
Balance at end of the year	**94,460**	70,206

The Group has provided fully for all receivables over 365 days because historical experience is such that receivables that are past due beyond 365 days are generally not recoverable. The Group does not hold any collateral over these balances.

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

	2009 **RMB'000**	2008 RMB'000
Contracts in progress at the end of the reporting period:		
Contract costs incurred plus recognised profits less recognised losses	**45,295**	53,039
Less: progress billings	**(36,044)**	(40,154)
	9,251	12,885
Analysed for reporting purposes as:		
Amounts due from customers for contract work	**53,216**	13,953
Amounts due to customers for contract work	**(43,965)**	(1,068)
	9,251	12,885

At 31 December 2009, retentions held by customers for contract work amounted to approximately RMB2,223,000 (2008: RMB4,737,000). There was no advance received from customers for contract work as at 31 December 2009 and 2008.

29. HELD FOR TRADING INVESTMENTS

	2009 **RMB'000**	2008 RMB'000
Listed securities		
– equity securities listed in Hong Kong	**–**	31

All held for trading investments were disposed of during the year ended 31 December 2009 and a gain on disposal of held for trading investments of approximately RMB26,000 (2008: Nil) was recognised.

30. PREPAYMENTS AND OTHER RECEIVABLES

	2009 RMB'000	2008 RMB'000
Advances to sales representatives	**6,289**	9,189
Prepayments	**890**	905
Deposits paid	**27,862**	9,932
Other receivables	**6,321**	6,531
	41,362	26,557

Recoverability of prepayments and other receivables is assessed on individual basis. At the end of each reporting period, management assesses each of the outstanding balance of prepayments and other receivables to determine whether impairment loss has been adequately provided for, taking into account their credit position, repayment history and age of the amount owing to the Group.

Movements in the impairment loss on prepayments and other receivables are as follows:

	2009 RMB'000	2008 RMB'000
Balance at beginning of the year	**12,661**	9,681
Impairment loss recognised *(Note)*	**9,903**	2,980
Balance at end of the year	**22,564**	12,661

Note: Impairment loss on other receivables recognised during the year ended 31 December 2009 represented the amount advanced to supplier in 2008. In view of the financial difficulties and liquidation, the directors considered that the recoverability of the amount of approximately RMB9,903,000 (2008: RMB2,980,000) were remote and full impairment has been made.

31. RESTRICTED DEPOSIT PLACED IN A FINANCIAL INSTITUTION/PLEDGED BANK DEPOSIT/RESTRICTED BANK BALANCES/BANK BALANCES/BANK OVERDRAFTS

Restricted deposit placed in a financial institution

At 31 December 2008, approximately RMB5,000,000 (2009: Nil) restricted deposit placed in a financial institution represented, deposit required and restricted by 南京市六合區農村信用合作聯社 in respect of the issue of trade bills to certain suppliers. The deposit carried interest at market rate of 0.72% (2009: Nil) per annum, and was released upon the completion of the respective transactions. The deposit was denominated in RMB.

Pledged bank deposit

Pledged bank deposit of approximately RMB9,994,000 (2008: RMB10,149,000) represented deposit pledged to a bank to secure the bank overdraft facility granted to a PRC subsidiary of the Company. This deposit is denominated in HK$ and carried interest at market rate of 0.01% (2008: 0.01%) per annum.

Restricted bank balances

At 31 December 2009 and 2008, restricted bank balances represented deposits required and restricted by banks in respect of the issue of trade bills to certain suppliers. The balances carried interest at market rates which ranged from 1.98% to 3.78% (2008: 1.98% to 3.78%) per annum, and will be released upon the completion of the respective transactions.

Bank balances

Bank balances carry interest at market rates which ranged from 0.01% to 0.36% (2008: 0.01% to 0.72%).

At 31 December 2009, bank balances of approximately RMB1,336,000 (2008: RMB2,889,000), approximately RMB54,130,000 (2008: RMB13,511,000) and approximately RMB760,000 (2008: RMB82,000) were denominated in USD, HK$ and Euro respectively.

Bank overdrafts

Bank overdrafts carry interest at market rates which ranged from 5.35% to 7.47% (2008: 5.31% to 7.47%) per annum.

At 31 December 2009, bank overdrafts of approximately RMB6,127,000 (2008: RMB7,991,000) and RMB130,000 (2008: Nil) are denominated in RMB and HK$ respectively. Bank overdraft denominated in RMB was secured by a pledged bank deposit of approximately RMB9,994,000 (2008: approximately RMB10,149,000)

32. 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.

	2009	2008
	RMB'000	RMB'000
0-180 days	**105,764**	136,662
181-365 days	**10,264**	9,725
1-2 years	**12,446**	5,617
Over 2 years	**11,424**	1,002
	139,898	153,006
Bills payable	**168,368**	112,175
	308,266	265,181

The average credit period on purchases of goods ranges from one to six months. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

At 31 December 2009, the Group's bills payable was supported by restricted bank balances of approximately RMB115,628,000.

At 31 December 2008, the Group's bills payable was supported by restricted deposit placed in a financial institution of approximately RMB5,000,000 and restricted bank balances of approximately RMB82,647,000.

33. OTHER PAYABLES AND ACCRUALS

	2009	2008
	RMB'000	RMB'000
Accrued expenses	**9,440**	9,412
Other payables	**8,875**	14,249
Other tax payable	**28,160**	11,997
	46,475	35,658

At 31 December 2009, other payables and accruals of approximately RMB4,619,000 (2008: RMB3,630,000) and RMB106,000 (2008: RMB187,000) are denominated in HK$ and USD respectively.

34. AMOUNTS DUE TO AN ASSOCIATE/RELATED COMPANIES/DIRECTORS

The amounts are unsecured, interest-free and repayable on demand.

At 31 December 2009, amounts due to directors of approximately RMB4,923,000 (2008: RMB4,894,000) are denominated in HK$.

35. LOAN FROM ULTIMATE HOLDING COMPANY

The loan is unsecured, interest-free and repayable on demand. The entire amount was repaid during the year ended 31 December 2009.

36. BANK AND OTHER BORROWINGS

	2009 **RMB'000**	2008 RMB'000
Bank borrowings		
Secured	**62,573**	77,700
Unsecured	**145,398**	77,760
	207,971	155,460
Other borrowings		
Secured	**40,000**	20,000
	247,971	175,460
Carrying amounts repayable:		
On demand or within one year	**210,876**	175,460
More than one year, but not exceeding two years	**37,095**	–
	247,971	175,460
Less: Amounts due within one year shown under current liabilities	**(210,876)**	(175,460)
	37,095	–

As at 31 December 2009, the Group's bank and other borrowings were subject to fixed and variable interest rates from 1.30% to 9.47% (2008: 1.25% to 9.57%) per annum.

36. BANK AND OTHER BORROWINGS (Continued)

At 31 December 2009, bank loans of approximately RMB62,573,000 (2008: RMB77,700,000) were secured by certain of the Group's prepaid lease payments with net carrying values of approximately RMB7,123,000 (2008: RMB6,500,000), buildings with net carrying value of approximately RMB42,700,000 (2008: RMB12,500,000) and investment properties with fair value of approximately RMB103,816,000 (2008: RMB87,939,000).

At 31 December 2009, bank loans of approximately RMB88,220,000 (2008: RMB34,600,000) 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 31 December 2009, the other loan of approximately RMB40,000,000 (2008: RMB20,000,000) was secured by prepaid lease payments of the Group with net carrying value of approximately RMB35,391,000 (2008: RMB36,136,000) and were secured by corporate guarantees issued by Zhongda Industrial Group.

At 31 December 2009, the Group has bank borrowing of approximately RMB57,178,000 (2008: RMB43,160,000) which are neither secured nor guaranteed.

At 31 December 2009, bank borrowings of approximately RMB39,971,000 (2008: RMB2,262,000) were denominated in HK$.

37. CONVERTIBLE BOND

The Company issued a five-year zero coupon convertible bond with principal amount of HK$21,000,000 (approximately RMB18,460,000) to Zhong Da (BVI) Limited, the ultimate holding company of the Company on 8 May 2009 (the "Issue Date") (the "Convertible Bond") in order to settle the loan from ultimate holding company as set out in Note 35.

The Convertible Bond entitled the holders to convert them into ordinary shares of the Company at any time between 8 November 2009 and 30 April 2013 at a conversion price of HK$0.84 per share. If the Convertible Bond has not been converted, they will be redeemed on maturity date on 7 May 2013 (the "Maturity Date") at par.

The number of shares to be issued on conversion of the Convertible Bond were 25,000,000 shares, which is determined by dividing the HK$ principal amount of the Convertible Bond to be converted (translated into Hong Kong dollars at the fixed exchange rate of HK$1 = RMB0.879) by the conversion price of HK$0.84 in effect at the conversion date.

The Company was entitled to redeem the Convertible Bond at any time prior to the Maturity Date. On 9 August 2009 (the "Redemption Date"), the Convertible Bond was wholly redeemed by the Company at the Redemption Date. The early redemption give rise to a debt extinguishment loss of approximately HK$3,165,000 (equivalent to approximately RMB2,769,000) included in finance costs for the year end 31 December 2009 (see Note 10).

37. CONVERTIBLE BOND (Continued)

The Convertible Bond contains the following components that are required to be separately accounted for:

(i) Liability component for the Convertible Bond represents the present value of the contractually determined stream of future cash flows discounted at the rate interest at the date of issue with reference to the market rate for instruments of comparable credit status taking into account the credit risk of the Company as well as the amount of the Convertible Bond, but without the conversion portion. The effective interest rate of the liability component is 8% per annum.

(ii) Embedded derivative comprises of the fair value of redemption option represents the Company's option to early redeem all or part of the Convertible Bond. The amount payable for any early redemption shall be the 115% of the outstanding principal amount of the Convertible Bond so redeemed. In the opinion of an independent qualified profession valuer not connected with the Group, the fair value of the embedded redemption option was Nil.

(iii) The equity component represents the difference between the gross proceeds of the issue of the Convertible Bond and the fair value assigned to the liability and early redemption option components respectively.

The movement of the liability portion of the Convertible Bond for the year are set out below:

	RMB'000
At Issue Date	**12,145**
Effective interest charged (Note 10)	**256**
Early redemption	**(12,401)**
At 31 December 2009	**–**

The movement of the equity portion of the Convertible Bond for the year are set out below:

	RMB'000
At Issue Date	**6,315**
Early redemption	**(6,315)**
At 31 December 2009	**–**

The fair values of the Group's Convertible Bond on both Issue Date and Redemption Date have been arrived at on the basis of a valuation carried out on those dates by Ample Appraisal Limited, an independent qualified professional valuer not connected to the Group. The valuations were arrived at by adopting the method of discounted cash flow method.

38. PLEDGE OF ASSETS

Assets with the following carrying amounts have been pledged to secure bank and the borrowings (Note 36) and bank overdrafts (Note 31) of the Group.

	2009	2008
	RMB'000	RMB'000
Prepaid lease payments	**42,514**	42,636
Buildings	**42,700**	12,583
Investment properties	**103,816**	87,939
Pledged bank deposit	**9,994**	10,149
	199,024	153,307

39. SHARE CAPITAL

	Notes	Number of shares	HK$'000	Equivalent to RMB'000
Ordinary shares of HK$0.10 each				
Authorised:				
At 1 January 2008, 31 December 2008 and 1 January 2009		**1,000,000,000**	**100,000**	
Increase on 26 June 2009	(i)	**9,000,000,000**	**900,000**	
At 31 December 2009		**10,000,000,000**	**1,000,000**	
Issued and fully paid:				
At 1 January 2008		**530,004,200**	**53,000**	**55,125**
Shares repurchased and cancelled	(ii)	**(584,000)**	**(58)**	**(51)**
At 31 December 2008		**529,420,200**	**52,942**	**55,074**
Shares repurchased and cancelled	(ii)	**(274,000)**	**(27)**	**(24)**
Exercise of share options	(iii)	**15,862,227**	**1,586**	**1,388**
Shares issued under open offer	(iv)	**319,887,744**	**31,989**	**27,962**
Bonus shares issued under open offer	(iv)	**63,977,548**	**6,398**	**5,592**
Placing of new shares	(v)	**105,000,000**	**10,500**	**9,174**
At 31 December 2009		**1,033,873,719**	**103,388**	**99,166**

39. SHARE CAPITAL (Continued)

(i) Increase in authorised share capital

An ordinary resolution was passed at the special general meeting on 26 June 2009 to approve the increase of authorised share capital of the Company from HK$100,000,000 (divided into 1,000,000,000 ordinary shares of HK$0.10 each) to HK$1,000,000,000 (divided into 10,000,000,000 ordinary shares of HK$0.10 each) by the creation of 9,000,000,000 new shares of HK$0.10 each, which upon issue shall rank pari passu in all respects with the existing shares.

(ii) Shares repurchased and cancelled

During the year ended 31 December 2009 and 2008, the Company repurchased its own shares through the Stock Exchange as follows:

Month of repurchase	No. of ordinary shares at HK$0.1 each	Price per share Highest HK$	Price per share Lowest HK$	Aggregate consideration paid HK$'000
January 2009	**274,000**	**0.20**	**0.14**	**42**
August 2008	528,000	0.26	0.20	125
November 2008	56,000	0.16	0.16	9
	584,000			134

The above shares were cancelled upon repurchase at total consideration of equivalent to HK$42,000 (approximately RMB37,000) (2008: HK$134,000 (approximately RMB118,000)) and accordingly, the issued capital of the Company was reduced by the nominal value thereof. The premium payable on repurchase was charged against the share premium account of the Company as set out in the consolidated statement of changes in equity.

None of the Company's subsidiaries repurchased, sold or redeemed any of the Company's listed shares during the year.

(iii) Exercise of share options

Details of the Company's share option scheme and the share options issued under the scheme are included in Note 45.

39. SHARE CAPITAL (Continued)

(iv) Shares and bonus shares issued under open offer

On 17 July 2009, the allotment and issue by way of open offer of 319,887,744 offer shares at HK$0.28 (the "Open Offer") each on the basis of three shares for every five existing shares held and payable in full upon acceptance with 63,977,548 bonus shares (the "Bonus Issue") issue on the basis of two bonus shares for every ten offer shares. Proceeds from the Open Offer with Bonus Issue were approximately HK$89,569,000 (equivalent to approximately RMB78,294,000).

Proceeds from the Open Offer with Bonus Issue will be used by the Company for the development of alternative energy vehicles and as general working capital of the Group.

(v) Placing of new shares

On 12 November 2009, 105,000,000 ordinary shares of HK$0.10 each were issued and allotted to the ultimate holding company at the placing price of HK$0.713 each. Proceeds from the placing of new shares were approximately HK$74,865,000 (equivalent to approximately RMB65,413,000).

Proceeds from the above new issue of shares had been used for the Group's general working capital requirements and for potential investments.

All the above shares rank pari passu in all respects with other shares in issue.

40. MAJOR NON-CASH TRANSACTIONS

On 8 May 2009, the Company settled the loan from ultimate holding company with the carrying amount of HK$21,000,000 (equivalent to approximately RMB18,460,000) by issuing a five-year zero coupon convertible bond.

During the year ended 31 December 2009, 63,977,548 bonus shares were issued under Open Offer with Bonus Issue, by capitalisation of approximately RMB5,592,000 to the share premium account.

41. OPERATING LEASES

The Group as lessor

Property rental income earned during the year was approximately RMB8,000,000 (2008: RMB6,174,000). The properties are expected to generate rental yield of 7.7% (2008: 5.0%) on an ongoing basis. Lease and rentals are negotiated and fixed for an average of three years (2008: two to three years).

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

	2009 RMB'000	2008 RMB'000
Within one year	**1,842**	8,180
In the second to fifth year inclusive	**–**	1,842
	1,842	10,022

The Group as lessee

	2009 RMB'000	2008 RMB'000
Minimum lease payments in respect of rented premises paid under operating leases during the year	**1,281**	1,326

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:

	2009 RMB'000	2008 RMB'000
Within one year	**136**	381
In the second to fifth year inclusive	**66**	392
	202	773

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

42. CAPITAL COMMITMENTS

	2009 RMB'000	2008 RMB'000
Commitments contracted but not provided for in respect of		
Capital contribution on investment in an associate	**4,162**	4,189
Acquisition of property, plant and equipment	**10,836**	11,128
	14,998	15,317

43. RELATED PARTY TRANSACTIONS

Apart from the balances with related parties disclosed in the consolidated statement of financial position and Notes 25, 26, 34 and 35, the Group also entered into the following transactions with its related parties:

	Notes	2009 RMB'000	2008 RMB'000
Transactions with Zhongda Industrial Group[4]:			
– Service fee expense	(a)	**750**	750
– Patent fee expense	(b)	**200**	200
– Trademark fee expense	(c)	**150**	150
– Rental expense for office premises	(d)	**100**	100
– Acquisition for 20% equity interest of Zhongwei Bus (Note 20)	(e)	**18,460**	–
Transactions with Yancheng Celette[5]:			
– Purchase of products and raw materials	(g)	**7,591**	7,270
– Sales of products and raw materials	(f)	**2,554**	6,289
Transactions with Zhongwei Bus[2]:			
– Sales of products and raw materials	(f)	**135,000**	237,363
– Purchase of finished goods	(g)	**–**	3,057
– Purchase of raw materials	(g)	**–**	1
– Rental income for investment properties	(h)&(i)	**8,000**	6,333

43. RELATED PARTY TRANSACTIONS (Continued)

	Notes	2009 RMB'000	2008 RMB'000
Transactions with International Trading[4]:			
– Sales of products	(j)	**–**	4,000
– Sales commission income	(k)	**9,190**	37,933
Transaction with Zhongda Sankyo[3]:			
– Purchase of raw materials	(g)	**150**	87
Transaction with Jiangsu Sankyo Automobile Equipment Co., Ltd [1]:			
– Rental expense for office premises	(l)	**300**	300
Transaction with Yancheng Sheung Tong[3]:			
– Sales of raw materials	(m)	**181**	10
Transaction with Zhongda EMS Limited[2]:			
– Sales of raw materials	(m)	**–**	33
Transaction with Ausen Co., Ltd[3]:			
– Sales of products	(n)	**2,504**	1,163

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.

43. RELATED PARTY TRANSACTIONS (Continued)

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 services. 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 one of the directors of the Company granted to the Group an exclusive right to use certain patents at an annual fee of approximately RMB200,000 for periods commenced on 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 approximately RMB150,000. The agreement is for a term of ten years commenced on 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 approximately RMB100,000 per annum for a period of five years commenced on 1 June 2006.

(e) The Group completed the acquisition of 20% equity interest in Zhongwei Bus from Zhongda Industrial Group at a consideration of approximately RMB18,460,000. Details are set out in Note 20.

(f) 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 and Yancheng Celette.

(g) The purchase terms were agreed by both parties.

(h) Pursuant to a rental agreement, the rental of land is charged at approximately 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 building is charged at approximately RMB5,000,000 per annum for the period from 1 May 2008 to December 2009.

43. RELATED PARTY TRANSACTIONS (Continued)

(j) The prices were determined based on the actual cost of production plus a profit margin of approximately 7 per cent in respect of sales of products to International Trading.

(k) 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% on the selling prices of the Products.

(l) Pursuant to a rental agreement, the rental of office premises was charged at approximately RMB25,000 per month.

(m) For the year ended 31 December 2008, sales of approximately RMB33,000 (2009: Nil) were made with Zhongda EMS Limited.

For the year ended 31 December 2009, sales of approximately RMB181,000 (2008: RMB10,000) were made with Yancheng Sheung Tong.

The above sales were made on mutually agreed terms.

(n) Sales to Ausen Co., Ltd. of approximately RMB2,504,000 (2008: RMB1,163,000) were made on mutually agreed terms.

(o) At 31 December 2008, Zhongwei Bus has given its corporate guarantee to a bank for certain bank borrowings granted to a subsidiary of the Company to the extent of approximately RMB13,000,000 (2009: Nil).

(p) Zhongda Industrial Group has pledged certain assets and provided the corporate guarantee of approximately RMB72,000,000 to the bank and financial institution to secure the bank and other borrowings of approximately RMB77,020,000.

43. RELATED PARTY TRANSACTIONS (Continued)

(q) Compensation of key management

The remuneration of directors and other members of key management during the year was as follows:

	2009 **RMB'000**	2008 RMB'000
Short-term benefits	**4,807**	4,789
Post-employment benefits	**21**	59
Equity-settled share-based payments	**426**	–
	5,254	4,848

The remuneration of directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

44. RETIREMENT BENEFITS SCHEME

The employees of the Group in the PRC are members of defined contribution plans organised by the relevant local government authorities in the PRC. The subsidiaries were required to make monthly contributions to these plans at 20% (2008: 17%) of the employee's basic salary. The only obligation of the Group with respect to the retirement benefit scheme in the PRC is to make the required contributions under the scheme.

The Group participates in a retirement benefits scheme, which was registered under the Mandatory Provident Fund Scheme Ordinance (the "MPF Ordinance"), for all its employees in Hong Kong. The scheme is a defined contribution scheme effective from December 2000 and is funded by contributions from employer and employees according to the provisions of the MPF Ordinance. The employer's contributions vested fully with the employees when contributed into the scheme. The only obligation of the Group with respect to the scheme is to make the specified contributions.

The total cost charged to the consolidated income statement of approximately RMB2,432,000 (2008: RMB2,895,000) represents contributions payable to the retirement schemes by the Group.

45. SHARE-BASED PAYMENT TRANSACTIONS

Equity-settled share option scheme

The Company's share option scheme (the "Scheme") was approved and adopted by the Company on 31 May 2007 for the primary purpose of providing incentives to directors and eligible persons. Under the Scheme, the directors may, at their discretion, grant to any eligible person as defined under the Scheme to take up options to subscribe for shares of the Company at a subscription price to be determined by the directors and notified to eligible person but in any case shall not be less than the highest of (1) the closing price of the shares as stated in the daily quotations sheet of the Stock Exchange on the date of the grant, which must be a day on which the Stock Exchange is open for the business of dealing in securities; (2) the average of closing price of the shares as stated in the daily quotations sheets of the Stock Exchange for the five trading days immediately preceding the date of grant; or (3) the nominal value of a share. Upon acceptance of the share option, the grantee shall pay HK$1 to the Company by way of consideration for the grant. The maximum number of shares which may be allotted and issue upon the exercise of all options to be granted under the Scheme and any other share option scheme of the Company must not in aggregate exceed 10% of the ordinary shares in issue as at the date of passing the relevant resolution adopting the Scheme. Moreover, the ordinary shares which may be issued upon exercise of all outstanding options granted and yet to be exercise under the Scheme and any other share option schemes of the Company at any time shall not exceed 30% of the shares in issue from time of time. An option may be exercised in accordance with the terms of the Scheme at any time after the date upon which the option is deemed to be granted and accepted and prior to the expiry of 10 years from that date.

On 8 October 2001, a share option scheme approved and adapted (the "Old Scheme") which was terminated by the Company during the year ended 31 December 2007. Under the Old Scheme, the maximum number of shares which may be issued shall not in aggregate exceed 40,000,400 shares. The Directors may, at their discretion, invite any executive and/or employees of the Company and/or its subsidiaries to take up options to subscribe for shares of the Company. The exercise price is determined by the Directors and will at least be the higher of (i) the closing price of the shares as stated in the daily quotation sheet of the Stock Exchange on the date of grant, which shall be a business day; (ii) the average closing price of the shares as stated in the daily quotation sheet of the Stock Exchange for the five business days immediately preceding the date of grant, and (iii) the par value of the shares.

45. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

Upon termination of the Old Scheme on 31 May 2007, no further options can be granted under the Old Scheme but it will in all other respects remain in force to the extent necessary to give effect to the exercise of the outstanding options prior to the termination of the Old Scheme. The Old Scheme will continue to be valid and exercisable in accordance with the provisions of the Old Scheme.

Details of specific categories of options are as follows:

	Date of grant	Vesting period	Exercise period	Exercise price
Jan 2007	11/1/2007	N/A	11/1/2007 to 10/7/2012	HK$0.121 (Note a)
Feb 2007 (1)	5/2/2007	N/A	5/2/2007 to 4/8/2012	HK$0.314 (Note a)
Feb 2007 (2)	13/2/2007	N/A	13/2/2007 to 12/8/2012	HK$0.423 (Note a)
Nov 2009	6/11/2009	N/A	6/11/2009 to 5/11/2014	HK$0.792

The following table discloses movements of the Company's share options held by employees during the two years ended 31 December 2009 and 2008:

Option type	Outstanding at 1/1/2008, 31/12/2008 and 1/1/2009	Adjustment during the year (Note (a))	Granted during the year	Exercised during the year	Forfeited/ expired during the year	Outstanding at 31/12/2009
Jan 2007	12,000,120	3,862,107	–	(15,862,227)	–	**–**
Feb 2007 (1)	4,000,040	1,931,054	–	–	–	**5,931,094**
Feb 2007 (2)	4,000,040	1,931,054	–	–	–	**5,931,094**
Nov 2009	–	–	47,684,597	–	–	**47,684,597**
	20,000,200	7,724,215	47,684,597	(15,862,227)	–	**59,546,785**
Exercisable at end of the year						**59,546,785**
Weighted average exercise price	HK$0.326	HK$0.245	HK$0.792	HK$0.136	–	**HK$0.708**

Note a: The exercise price and number of share options has been adjusted as a result of the Open Offer of ordinary shares during the year ended 31 December 2009.

45. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

At 31 December 2009, the outstanding options entitling by the eligible persons under the Scheme and the Old Scheme to subscribe for an aggregate of 47,684,597 (2008: Nil) and 11,862,187 (2008: 20,000,200) shares representing approximately 4.6% (2008: Nil) and 1.15% (2008: 3.8%) of total issued share capital of the Company respectively.

During the year ended 31 December 2009, share options were granted on 6 November 2009 and its estimated fair values of the options granted on those date is approximately RMB11,083,000.

The Group recognised the total expense of approximately RMB11,083,000 for the year ended 31 December 2009 (2008: Nil) in relation to share option granted by the Company.

The fair value was calculated using the Binomial Option pricing model. The inputs into the model were as follows:

Date of grant	6 November 2009
Spot Price	HK$0.78
Exercise Price	HK$0.792
Risk-free interest rate	1.74%
Expected life of the options	5 years
Expected volatility	108.8%
Expected dividend yield	Nil

The expected volatility is based on the historical volatility of the Company's share price, adjusted for any expected changes to future volatility based on publicly available information. The expected life used in the model has been adjusted based on management's best estimate.

46. SUMMARISED STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	2009 RMB'000	2008 RMB'000
Investment in subsidiaries		**30,387**	30,387
Plant and equipment		**36**	54
Prepayments and other receivables		**373**	345
Bank balances and cash		**50,462**	12,859
Amounts due from subsidiaries	(a)	**187,337**	114,869
Amounts due from an associate	(a)	**698**	709
Other payables and accruals		**(4,432)**	(1,343)
Amounts due to directors	(a)	**(4,923)**	(5,288)
Loan from ultimate holding company	(a)	**–**	(18,614)
		259,938	133,978
Share capital	39	**99,166**	55,074
Other reserves		**222,403**	117,866
Accumulated losses		**(61,631)**	(38,962)
		259,938	133,978

(a) The amounts due from (to) subsidiaries, an associate, directors and loan from ultimate holding company are unsecured, interest-free and repayable on demand.

47. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

The following is a list of the principal subsidiaries of the Company as at 31 December 2008 and 2009:

Name of subsidiary	Place/ Country of incorporation or registration/ operations	Class of shares held	Paid up issued/ registered ordinary share capital	Proportion ownership interest held by the Company	Proportion of voting power held by the Company	Principal activities
Grandy Rich Limited	Hong Kong	Ordinary	HK$1	100%	100%	Investment property holding
Zhongda International Trading Limited	Hong Kong	Ordinary	HK$1	100%	100%	Service provider
Zhongda Automobile Machinery Manufacture Co., Ltd.	PRC	Contributed capital	RMB45,861,500	86.7%	86.7%	Manufacture and sale of automobile equipment
Jiangsu Zhongda Industrial Painting and Environmental Protection Co., Ltd.	PRC	Contributed capital	RMB15,600,000	90%	90%	Design, production, installation and sales of surface treatment systems
Yancheng Zhongda Industrial Equipment Manufacture Co., Ltd.	PRC	Contributed capital	US$1,515,500	96%	96%	Manufacture and sale of automobile equipment
Nanjing Zhongda Jinling Double-decker Bus Manufacture Co., Ltd.	PRC	Contributed capital	RMB36,512,750	60%	60%	Manufacture and sale of bus
Ausen Industrial Equipment	PRC	Contributed capital	RMB15,000,000	100%	100%	Manufacture and sale of automobile equipment

47. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (Continued)

None of the subsidiaries had issued any debt securities subsisting at the end of the years or at any time during both years.

The above table lists the subsidiaries of the Group which, in the opinion of the directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in opinion of the directors, result in particulars of excessive length.

48. EVENTS AFTER THE REPORTING PERIOD

(1) On 1 April 2010, Zhongda (South Africa) Limited, a wholly-owned subsidiary of the Company, has entered into the shareholders' agreement with two companies incorporated in South Africa in respect of the proposed formation of a joint venture in South Africa, SA United Zhongda. The principal activities of SA United Zhongda are the import, distribution, marketing and sales of coaches in authorised region of South Africa. Details are set out in the Company's announcement dated 8 April 2010.

(2) On 8 April 2010, 18,450,000 ordinary shares of HK$0.10 each were issued and allotted to the placing agent at the placing price of HK$0.813 each. Net proceeds from the placing of new shares, after deducting all related expenses, were approximately HK$14,550,000 (equivalent to approximately RMB12,798,000).

Proceeds from the above new issue of shares will be used in potential investments and for the Group's general working capital. Details are set out in the Company's announcement dated 16 March 2010 and 7 April 2010 respectively.

49. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the presentation of the current year and such reclassification has no impact on the Group's profit for the year 2008. In particular, for the purpose of better representation of the Group's activities, the impairment loss on trade and other receivables of approximately RMB15,340,000 and RMB2,980,000 respectively, which had previously been recorded under "Administrative expenses" in the consolidated financial statements for 2008, were reclassified to "Impairment loss on trade receivable" and "Impairment loss on other receivable" respectively.

Financial Summary

RESULTS

	Year ended 31 December				
	2009	2008	2007	2006	2005
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Turnover	**455,026**	639,691	327,242	190,736	177,313
(Loss)/profit before taxation	**(84,264)**	18,116	39,702	13,502	(32,535)
Income tax expense	**(29,469)**	(10,438)	812	(604)	3,157
(Loss)/profit for the year	**(113,733)**	7,678	40,514	12,898	(29,378)
Minority interests	**21,943**	8,520	(10,703)	2,419	3,675
(Loss)/profit attributable to equity holders of the Company	**(91,790)**	16,198	29,811	15,317	(25,703)

ASSETS AND LIABILITIES

	As at 31 December				
	2009	2008	2007	2006	2005
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Total assets	**1,077,248**	914,079	683,510	426,843	361,563
Total liabilities	**(702,803)**	(574,899)	(347,125)	(253,729)	(200,636)
	374,445	339,180	336,385	173,114	160,927
Minority interests	**(1,027)**	(20,488)	(29,008)	(16,011)	(18,430)
Equity attributable to equity holders of the Company	**373,418**	318,692	307,377	157,103	142,497