China Holdings Acquisition Corp.
Form 10-Q
August 14, 2008

# UNITED STATES

# SECURITIES AND EXCHANGE COMMISSION

**WASHINGTON, D.C. 20549**

# FORM 10-Q

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
**For the Quarterly Period Ended June 30, 2008**

**OR**

¨ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
**For the transition period from ______ to ______**

**Commission file number: 001-33804**

# CHINA HOLDINGS ACQUISITION CORP.

**(Exact name of registrant as specified in its charter)**

| | |
|---|---|
| **Delaware**<br>**(State or other jurisdiction of**<br>**incorporation or organization)** | **61-1533071**<br>**(I.R.S. Employer**<br>**Identification No.)** |
| **33 Riverside Avenue, 5th Floor**<br>**Westport, CT**<br>**(Address of principal executive offices)** | **06880**<br>**(zip code)** |

**(203) 226-6288**

**(Registrant s telephone number, including area code)**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, non-accelerated filer, or a smaller reporting company. See definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

| | |
|---|---|
| Large accelerated filer ¨ | Accelerated filer ¨ |
| Non-accelerated filer x (Do not check if a smaller reporting company) | Smaller reporting company ¨ |

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes x No ¨

Indicate the number of shares outstanding of each of the issuer s classes of common stock, as of the latest practicable date: The number of shares of the issuer s Common Stock, $0.001 par value, outstanding as of July 31, 2008 was 16,000,000.

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**(a corporation in the development stage)**

**Condensed Balance Sheets**

| | December 31, 2007 | Unaudited June 30, 2008 |
|---|---|---|
| **ASSETS** | | |
| CURRENT ASSETS: | | |
| Cash and cash equivalents | $ 67,753 | $ 522,569 |
| Interest receivable | 451,489 | 216,174 |
| Investments held in Trust | 125,336,241 | 125,484,607 |
| Prepaid expenses | 119,722 | 73,412 |
| Total current assets | 125,975,205 | 126,296,762 |
| Equipment, net | 1,498 | 1,306 |
| Deferred acquisition costs | | 1,517,926 |
| Deferred income taxes | 43,734 | 133,543 |
| **TOTAL ASSETS** | $ 126,020,437 | $ 127,949,537 |
| **LIABILITIES AND STOCKHOLDERS EQUITY** | | |
| **CURRENT LIABILITIES:** | | |
| Deferred underwriting fee | $ 4,288,000 | $ 4,288,000 |
| Income taxes payable | 234,301 | 271,495 |
| Accrued registration costs | 16,329 | 1,492 |
| Accrued acquisition costs | | 968,803 |
| Accrued expenses | 79,081 | 66,965 |
| Total current liabilities | 4,617,711 | 5,596,755 |
| **COMMON STOCK SUBJECT TO POSSIBLE REDEMPTION** | | |
| (4,266,239 - shares at redemption value) | 40,363,965 | 40,363,965 |
| **COMMITMENTS** | | |
| **STOCKHOLDERS EQUITY** | | |
| Preferred stock, par value $.0001 per share, 1,000,000 shares authorized, 0 shares issued | | |
| Common stock, par value $.001 per share, 40,000,000 shares authorized, 16,000,000 shares issued and outstanding (including 4,266,239 shares subject to possible redemption) | 16,000 | 16,000 |
| Additional paid-in capital | 80,724,068 | 80,724,068 |
| Retained earnings | 298,693 | 1,248,749 |
| **TOTAL STOCKHOLDERS EQUITY** | 81,038,761 | 81,988,817 |
| **TOTAL LIABILITIES AND STOCKHOLDERS EQUITY** | $ 126,020,437 | $ 127,949,537 |

See accompanying notes to financial statements.

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**Unaudited Condensed Statements of Income**

| | For the three months ended June 30, 2008 | For the six months ended June 30, 2008 | For the period from June 22, 2007 (inception) to June 30, 2007 | For the period from June 22, 2007 (inception) to June 30, 2008 |
|---|---|---|---|---|
| **Interest income** | $ 697,040 | $ 1,786,924 | $ | $ 2,388,467 |
| **Formation and operating costs** | 108,221 | 230,576 | 3,827 | 342,859 |
| **Income (loss) before provision for income taxes** | 588,819 | 1,556,348 | (3,827) | 2,045,608 |
| **Provision for income taxes** | 229,158 | 606,292 | | 796,859 |
| **Net income (loss)** | $ 359,661 | $ 950,056 | $ (3,827) | $ 1,248,749 |
| **Weighted average number of shares outstanding,** basic and diluted | 16,000,000 | 16,000,000 | | 11,279,772 |
| **Net earnings per share,** basic and diluted | $ 0.02 | $ 0.06 | (1) | $ 0.11 |

(1) Shares issued on July 16, 2007

See accompanying notes to financial statements.

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**Condensed Statement of Stockholders Equity**

**For the period from June 22, 2007 (inception) to June 30, 2008**

| | Common stock Shares | Amount | Additional Paid-In Capital | Retained Earnings | Total Stockholders Equity |
|---|---|---|---|---|---|
| **Balance, June 22, 2007** | | $ | $ | $ | $ |
| Issuance of Common Stock to initial shareholders at $0.008 per share for 3,450,000 shares, of which 250,000 were cancelled in connection with the underwriters partial exercise of the over allotment option | 3,200,000 | 3,200 | 25,550 | | 28,750 |
| Proceeds from issuance of warrants | | | 2,750,000 | | 2,750,000 |
| Sale of 12,800,000 units through public offering net of underwriter s discount and offering expenses and including $40,363,965 of proceeds allocable to 4,266,239 shares of common stock subject to possible redemption | 12,800,000 | 12,800 | 118,312,483 | | 118,325,283 |
| Proceeds subject to possible redemption | | | (40,363,965) | | (40,363,965) |
| Net income for the period | | | | 298,693 | 298,693 |
| **Subtotal at December 31, 2007** | 16,000,000 | 16,000 | 80,724,068 | 298,693 | 81,038,761 |
| **Unaudited:** | | | | | |
| Net income for the period | | | | 950,056 | 950,056 |
| **Balance, June 30, 2008** | 16,000,000 | $ 16,000 | $ 80,724,068 | $ 1,248,749 | $ 81,988,817 |

See accompanying notes to financial statements.

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**Unaudited Condensed Statements of Cash Flows**

| | For the six months ended June 30, 2008 | For the period from June 22, 2007 (inception) to June 30, 2007 | For the period from June 22, 2007 (inception) to June 30, 2008 |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Net income (loss) | $ 950,056 | $ (3,827) | $ 1,248,749 |
| **Adjustments to reconcile net income (loss) to net cash used in operating activities:** | | | |
| Depreciation | 192 | | 224 |
| Deferred income taxes | (89,809) | | (133,543) |
| Changes in operating assets and liabilities: | | | |
| Interest earned on trust fund | (2,017,483) | | (2,163,074) |
| Interest receivable | 235,315 | | (216,174) |
| Prepaid expenses | 46,310 | | (73,412) |
| Income taxes payable | 37,194 | | 271,495 |
| Accrued expenses | (12,116) | 3,827 | 66,965 |
| **Net cash used in operating activities** | (850,341) | | (998,770) |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Purchase of investments held in Trust Fund | | | (125,278,000) |
| Withdrawals from Trust Fund | 1,869,117 | | 1,956,467 |
| Purchases of equipment | | | (1,530) |
| **Net cash provided by (used in) investing activities** | 1,869,117 | | (123,323,063) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Proceeds from issuance of common stock to initial stockholders | | | 28,750 |
| Proceeds from note payable to initial stockholder | | | 368,169 |
| Repayment of note payable to initial stockholder | | | (368,169) |
| Proceeds from public offering | | | 128,000,000 |
| Proceeds from issuance of warrants in private placement | | | 2,750,000 |
| Payment of acquisition costs | (549,123) | | (549,123) |
| Payment of registration costs | (14,837) | | (5,385,225) |
| **Net cash (used in) provided by financing activities** | (563,960) | | 124,844,402 |
| **Net increase in cash and cash equivalents** | 454,816 | 0 | 522,569 |
| **Cash and cash equivalents** | | | |
| Beginning of period | 67,753 | | |
| End of period | $ 522,569 | $ 0 | $ 522,569 |
| **Supplemental disclosure of non-cash financing activities** | | | |
| Accrual of deferred acquisition costs | $ 968,803 | $ | $ 968,803 |

| | | | | | | |
|---|---|---|---|---|---|---|
| Accrual of registration costs | $ | | $ | | $ | 1,492 |
| Accrual of deferred underwriting fees | $ | | $ | | $ | 4,288,000 |
| **Supplemental disclosure of cash flow information:** | | | | | | |
| Cash paid for income taxes | $ | 424,511 | $ | | $ | 424,511 |

See accompanying notes to financial statements.

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## Notes to Financial Statements

### Note 1 Organization and Nature of Business Operations

China Holdings Acquisition Corp. (the Company ) is a blank check company incorporated on June 22, 2007, for the purpose of acquiring or acquiring control of one or more operating businesses having their primary operations in Asia through a merger, capital stock exchange, stock purchase, asset acquisition or other similar Business Combination or contractual arrangements (a Business Combination ). The Company intends to focus on potential acquisition targets in the People s Republic of China ( China ) (a Target Business ) for approximately nine months from its initial public offering (the Offering ), which occurred in November, 2007. All activity from June 22, 2007 (inception) to June 30, 2008 is related to the Company s formation and capital raising activities (see Note 6 Subsequent Events).

The Company is considered to be a development stage company and as such the financial statements presented herein are presented in accordance with Statement of Financial Accounting Standards ( SFAS ) No. 7.

The financial statements at June 30, 2008 and for the periods from June 22 to June 30, 2007, June 22, 2007 (inception) to June 30, 2008 and the three and six months ended June 30, 2008 are unaudited. In the opinion of management, all adjustments (consisting of normal adjustments) have been made that are necessary to present fairly the financial position of the Company as of June 30, 2008, the results of its operations and cash flows for the three and six month periods ended June 30, 2008 and for the periods from June 22 to June 30, 2007 and June 22, 2007 (inception) through June 30, 2008. Operating results for the interim periods presented are not necessarily indicative of the results to be expected for the full year. The condensed balance sheet at December 31, 2007 has been derived from the audited financial statements.

The financial statements and related notes have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission. Accordingly, certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been omitted pursuant to such rules and regulations. These financial statements should be read in conjunction with the financial statements and other information included in the Company s Annual Report on Form 10-K for the fiscal year ended December 31, 2007, as filed with the Securities and Exchange Commission.

The Company, after signing a definitive agreement for a Business Combination, of which no assurance is given, is obligated to submit such transaction for approval by a majority of the holders of common stock of the Company sold as part of the units in the Offering (the Public Stockholders ). Public Stockholders that vote against such proposed Business Combination and exercise their redemption rights are, under certain conditions described below, entitled to convert their shares into a pro-rata distribution from the trust account (the Redemption Right ).

As a result of the Redemption Right, $40,363,965 has been classified as common stock subject to possible redemption on the accompanying balance sheet. The Company s stockholders prior to the Offering (the Initial Stockholders ), have agreed to vote their 3,200,000 founding shares of common stock in accordance with the manner in which the majority of the shares of common stock held by the Public Stockholders are voted with respect to a Business Combination. In the event that a majority of the outstanding shares of common stock voted by the Public Stockholders vote to approve a Business Combination, and an amendment to the Company s amended and restated certificate of incorporation allowing the Company s perpetual existence is approved, and holders owning 33.33% or more of the outstanding common stock do not vote against both the Business Combination and the Extended Period (as defined below) and do not exercise their Redemption Rights, on a cumulative basis, the Business Combination may then be consummated.

If the Company does not execute a letter of intent, agreement in principle or definitive agreement for a Business Combination prior to 18 months from the date of the closing of the Offering, the Company s board will convene, adopt and recommend to their stockholders a plan of dissolution and distribution and file a proxy statement with the SEC seeking stockholder approval for such plan. If, however, a letter of intent, agreement in principle or definitive agreement for a Business Combination has been executed prior to 18 months from the date of the closing of the Offering, the Company will seek the consummation of that Business Combination. However, if the Company has entered into a letter of intent, agreement in principle or definitive agreement within 18 months following the closing of the Offering and management anticipates that the Company may not be able to consummate a Business Combination within the 24 months from the date of the closing of the Offering, the Company may seek to extend the time period within which it may complete its Business Combination to 36 months, by calling a special (or annual) meeting of stockholders for the purpose of soliciting their approval for such extension (the Extended Period ). If the Company receives Public Stockholder approval for the Extended Period and holders of 33.33% or more of the shares held by Public Stockholders do not vote against the Extended Period and elect to redeem their common stock in connection with the vote for the Extended Period, the Company will then have an additional

12 months in which to complete the initial Business Combination. If the Extended Period is approved, the Company will still be required to seek Public Stockholder approval before completing a Business Combination. In the event there is no Business Combination within the 24-month deadline (if the Extended Period is not approved) described above (the Target

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Business Combination Period ), the Company will dissolve and distribute to its Public Stockholders, in proportion to their respective equity interests, the amount held in the Trust Account, and any remaining net assets, after the distribution of the Trust Account. In the event of liquidation, the per share value of the residual assets remaining available for distribution (including Trust Account assets) may be less than the initial public offering price per share in the Offering. The Company s corporate existence will automatically cease at the end of the 36-month period if the Company has not received stockholder approval for an initial Business Combination.

**Note 2 Trust Account**

As a result of the Offering and related events, the Company s trust account has received $125,278,000 (approximately $9.79 per unit), which includes $4,288,000 that will be paid to the underwriters upon the consummation of a Business Combination pro-rata with respect to those shares for which stockholders do not exercise their Redemption Rights.

The funds in the trust account are invested in permitted United States government securities. Up to an aggregate of $3,200,000 of after-tax interest income on the balance of the trust account may be released to the Company to fund working capital, due diligence and general corporate requirements.

**Note 3 Summary of Significant Accounting Policies**

***Cash and cash equivalents*** Cash and cash equivalents are deposits with financial institutions as well as short-term money market instruments with maturities of three months or less when purchased.

***Deferred Acquisition Costs*** The Company capitalizes out-of-pocket costs (e.g., legal, accounting and travel costs) that are directly related to a potential acquisition that the Company intends to consummate. Such costs are expensed if the Company terminates the acquisition process.

***Concentration of Credit Risk*** Financial instruments that potentially subject the Company to a significant concentration of credit risk consist primarily of cash and cash equivalents. The Company may maintain deposits in federally insured financial institutions in excess of federally insured limits. However, management believes the Company is not exposed to significant credit risk due to the financial position of the depository institutions in which those deposits are held.

***Net Earnings per Common Share*** Net earnings per share is computed based on the weighted average number of shares of common stock outstanding.

Basic net earnings per share excludes dilution and is computed by dividing earnings available to common stockholders by the weighted average common shares outstanding for the period. Diluted earnings per share reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock or resulted in the issuance of common stock that then shared in the earnings of the entity. Since the 15,550,000 outstanding warrants are not yet exercisable, they have been excluded from the Company s computation of diluted earnings per share for the three and six month periods ended June 30, 2008 and for the period from June 22, 2007 (inception) through June 30, 2008. Therefore, basic and diluted earnings per share were the same for the periods presented.

***Use of Estimates*** The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. Actual results could differ from those estimates.

***Income Taxes*** Deferred income tax assets and liabilities are computed for differences between the financial statement and tax basis of assets and liabilities that will result in future taxable or deductible amounts and are based on enacted tax laws and rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established when necessary to reduce deferred income tax assets to the amount expected to be realized.

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In June 2006, the Financial Accounting Standards Board ( FASB ) issued FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes, an interpretation of FASB Statement No. 109 ( FIN 48 ), which provides criteria for the recognition, measurement, presentation and disclosure of uncertain tax positions. A tax benefit from an uncertain position may be recognized only if it is more likely than not that the position is sustainable based on its technical merits. The provisions of FIN 48 are effective for fiscal years beginning after December 15, 2006.

***Recently Issued Accounting Pronouncements*** The Company does not believe that any recently issued, but not yet effective, accounting standards if currently adopted would have a material effect on the accompanying financial statements.

**Note 4 Income Taxes**

The Company has applied the provisions of FIN 48 since inception.

Deferred income taxes are provided for the differences between the bases of assets and liabilities for financial reporting and income tax purposes. A valuation allowance is established when necessary to reduce deferred tax assets to the amount expected to be realized. Realization of the future tax benefits is dependent upon many factors, including the Company s ability to generate taxable income within the loss carry-forward period, which runs through 2027.

The Company has recorded a deferred tax asset for the tax effect of temporary differences of $133,543 as of June 30, 2008. In recognition of the Company s twenty-year carry-forward period in the event of a Business Combination, and its carry-back opportunities in the event of liquidation, the Company has not recorded a valuation allowance on the accompanying balance sheets. The effective tax rate of 39% for the three and six month periods ended June 30, 2008 differs from the Federal statutory rate of 34% due to the effect of state income taxes of 5%. For the period from June 22, 2007 (inception) to June 30, 2007, the Company recorded a deferred tax asset for the tax effect of temporary differences of $1,300. In recognition of the uncertainty regarding the ultimate amount of income tax benefits to be derived at that time, the Company recorded a full valuation allowance of $1,300 at June 30, 2007. The effective tax rate for 2007 differs from the statutory rate of 34% due to the increase in the valuation allowance.

The components of income tax expense (benefit) are:

| | For the three months ended June 30, 2008 | For the six months ended June 30, 2008 | For the period from June 22, 2007 (inception) to June 30, 2007 | For the period from June 22, 2007 (inception) to June 30, 2008 |
|---|---|---|---|---|
| Currently payable: | | | | |
| Federal | $ 219,313 | $ 562,082 | $ 0 | $ 751,267 |
| State | 52,277 | 134,019 | 0 | 179,135 |
| Deferred: | | | | |
| Federal | (34,262) | (72,516) | 0 | (107,829) |
| State | (8,170) | (17,293) | 0 | (25,714) |
| Total | $ 229,158 | $ 606,292 | $ 0 | $ 796,859 |

**Note 5 Commitments**

*Administrative Fees*

The Company has agreed to pay an affiliate of a stockholder $10,000 per month for secretarial and administrative services. The arrangement commenced on November 16, 2007 and terminates upon the earlier of (i) the completion of the Company s Business Combination, or (ii) the Company s dissolution. The Company recognized $30,000, $60,000 and $75,000 of expense under this arrangement for the three and six months ended June 30, 2008, and for the period from June 22, 2007 (inception) to June 30, 2008, respectively.

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*Underwriting Agreement*

In connection with the Offering, the Company entered into an underwriting agreement (the Underwriting Agreement ) with the underwriters in the Offering.

Pursuant to the Underwriting Agreement, the Company was obligated to Citi (the Representative ), the representative of the underwriters, for certain fees and expenses related to the Offering, including underwriting discounts of $8,960,000. The Company paid $4,672,000 of the underwriting discounts upon closing of the Offering. The Company and the Representatives have agreed that payment of the underwriting discount of $4,288,000 will be deferred until consummation of the Business Combination. Accordingly, a deferred underwriting fee comprised of the deferred portion of the underwriting discount is included on the accompanying balance sheets.

*Initial Stockholders*

Pursuant to letter agreements with the Company and the Representatives in the Offering and the warrant private placement offering, the Initial Stockholders have waived their right to receive distributions with respect to their founding shares and the shares underlying the private warrants (but not shares purchased in the Offering or in the secondary market) in the event of the Company s liquidation.

**Note 6 Subsequent Events**

As disclosed in the Company s Form 8-K dated July 21, 2008, as filed with the SEC, on July 20, 2008, the Company entered into a definitive undertaking agreement (the Undertaking Agreement ) with World Sharehold Limited ( World Share ), the majority stockholder of Bright World Precision Machinery Limited ( Bright World ), Wang Wei Yao and Shao Jian Jun (collectively, with World Share, the Sellers ), pursuant to which the Sellers agreed to accept with respect to all of the shares of Bright World held by Sellers the Company s voluntary conditional cash offer (the Offer ) to acquire all of the issued shares in the capital of Bright World. Immediately prior to the first closing of the Offer (the Closing ), and contingent upon consummation of the Closing, the Company shall merge with and into a newly-formed, wholly-owned subsidiary incorporated under the laws of the British Virgin Islands ( Newco ), with Newco surviving the merger (the Merger, and together with the Offer, the Transactions ). Pursuant to the Merger, Newco will assume all rights and obligations of the Company under the Offer.

At Closing, in exchange for World Share s 309,697,000 shares of Bright World, which represent 77.42% of the issued shares of Bright World, the Company will issue to World Share, which is controlled by Mr. Wang Wei Yao, the non-executive Chairman of Bright World, a promissory note (the CHAC Note ) in the amount of approximately either USD$159 million or USD$170 million (depending on the final Offer Price (as defined below)), which shall be automatically convertible into a minimum of 19.9 million initial common shares of the Company (representing approximately 50% of the Company s enlarged issued share capital) at a per initial share price of USD$8.00. For the remaining 22.58% of Bright World s shares held by other stockholders, the Company will offer SG$0.70, or approximately US$0.51, per share in cash. If the Company acquires 90% or more of Bright World s shares, the Company will increase its offer price to SG$0.75, or approximately US$0.55, per share in cash (as applicable, each the Offer Price ).

World Share will also be eligible to receive (A) up to a maximum award of 3,765,000 additional common shares of the Company, based on Bright World s realized profit for fiscal year 2008, provided such maximum award will be reduced, share-for-share, by the number of initial shares in excess of 19.9 million, and (B) an additional 1,000,000 common shares of the Company for each 100 basis point increase in Bright World s fiscal year 2008 net earnings (in Renminbi or RMB) above 20% compared with a base net earnings of RMB 144,863,000, up to a maximum award of 12,000,000 additional common shares of the Company if Bright World s fiscal year 2008 net earnings exceed a base net earnings of RMB 144,863,000 by 32%. The total number of the Company s common shares to be awarded to World Share will not exceed a combined maximum total of 35,665,000 common shares (representing approximately 64% of the Company s enlarged issued share capital). All of the Company s common shares issued to World Share will be subject to a lock-up period of six (6) months from the date of their issue. In addition, if the U.S. Dollar weakens against the RMB between the date of the Undertaking Agreement and the Closing, the Company shall make a payment to World Share as compensation for the foreign exchange impact on the funds in the Company s trust account. If the U.S. Dollar strengthens against the RMB between the date of the Undertaking Agreement and the Closing, World Share shall make a payment to the Company as compensation for the foreign exchange impact on the funds in Company s trust account.

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The Company s agreement to make the Offer is conditioned upon the satisfaction of certain pre-conditions, including, but not limited to, (i) the approval by a majority of the Company s public stockholders of the Offer Transactions, (ii) the Company s public stockholders holding 33.33% or more of the outstanding common stock not voting against the Offer Transactions and not exercising their redemption rights in relation to their shares, (iii) the approval by a majority of the issued shares of the Company (the CHAC Shares ) of an amendment to the Company s certificate of incorporation to revise the definition of Business Combination to specifically include the Transactions, (iv) the approval by a majority of the CHAC Shares of the issuance of common shares to World Share, and (v) Bright World s independent financial advisor stating that in its opinion the arrangements relating to the issuance of the Company s common shares to World Share and the potential payment to World Share for the foreign exchange impact on the funds in the Company s trust account are fair and reasonable, no later than the date falling nine months after the date of the Undertaking Agreement (the 9-month date ); provided, however, that if the SEC has not declared the applicable registration statement, which the Company intends to file, effective by the 9-month date, the period will automatically be extended to one year from the date of the Undertaking Agreement (the 12-month date ).

World Share s obligations under the Undertaking Agreement, including, but not limited to, its acceptance of the Offer with respect to all of the shares of Bright World held by Sellers, shall lapse if: (i) the Offer lapses or is withdrawn without having become wholly unconditional; (ii) certain pre-conditions, including those described above, are not met within the 9-month date or 12-month date, as applicable; or (iii) there is less than US$120 million in the Company s trust account on or prior to the date immediately preceding the Closing.

**ITEM 2 MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION**

The following discussion should be read in conjunction with our unaudited financial statements and related notes thereto included elsewhere in this Form 10-Q, and the audited financial statements and related notes thereto in our Annual Report on Form 10-K for the period ended December 31, 2007.

This Quarterly Report on Form 10-Q includes assumptions concerning our operations, future results, prospects and other forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934. We have based these forward-looking statements on our current expectations and projections about future events. These forward-looking statements are subject to known and unknown risks, uncertainties and assumptions about us, including those contained in our Annual Report on Form 10-K for the period ended December 31, 2007, and the Risk Factors section of our prospectus (File No. 333-145085), declared effective by the Securities and Exchange Commission (the SEC ), on November 15, 2007, and our ability to consummate the transaction with Bright World, that may cause our actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by such forward-looking statements. In some cases, you can identify forward-looking statements by terminology such as may , should , could , would , expect , plan , anticipate , believe , estimate , conti negative of such terms or other similar expressions. Factors that might cause or contribute to such discrepancy include, but are not limited to, those described in our other SEC filings.

We have based the forward-looking statements included in this Quarterly Report on Form 10-Q on information available to us on the date of this Quarterly Report on Form 10-Q, and we assume no obligation to update any such forward-looking statements. Although we undertake no obligation to revise or update any forward-looking statements, whether as a result of new information, future events or otherwise, you are advised to consult any additional disclosures that we may make directly to you or through reports that we in the future may file with the SEC, including annual reports on Form 10-K, quarterly reports on Form 10-Q, and current reports on Form 8-K.

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**Results of Operations**

We have neither engaged in any operations, nor generated any operating revenues to date. Our entire activity since inception has been: (i) to prepare for our proposed fundraising through our initial public offering, which was consummated in November 2007; and (ii) to commence the search for a suitable target business. We will not generate any operating revenues until after completion of a Business Combination. For the period from June 22, 2007 (inception), to June 30, 2007, the Company incurred $3,827 of formation costs. For the three and six months ended June 30, 2008, we generated $697,040 and $1,786,924, respectively, of non-operating income, primarily in the form of interest income on investments in our trust account. For the three and six months ended June 30, 2008, we incurred $108,222 and $230,577, respectively, of formation and operating costs primarily consisting of franchise taxes, accounting fees, administrative fees, and insurance premiums. We expect to continue to incur increased expenses as a result of being a public company (for legal, financial reporting, accounting and auditing compliance), as well as for due diligence expenses. We expect our expenses to continue to increase substantially during 2008.

**Liquidity and Capital Resources**

During November and December, 2007, the Company consummated its initial public offering (the Offering ), and the underwriters of the Offering exercised their over-allotment option, resulting in net proceeds of approximately $118.3 million to the Company. The proceeds from the Offering, in combination with deferred underwriting fees of approximately $4.3 million and approximately $2.7 million of proceeds from the private placement of warrants on November 15, 2007, were placed in a trust account. As a result of the preceding events, the Company s trust account had received approximately $125.3 million.

We intend to potentially use substantially all of the net proceeds of the Offering to acquire one or more target businesses, of which no assurance can be given, including identifying and evaluating prospective target businesses, selecting one or more target businesses, and structuring, negotiating and consummating the Business Combination. If a portion of the Business Combination is paid for using stock or debt securities, we may apply the net cash released to us from the trust account for general corporate purposes, including for maintenance or expansion of operations of the acquired business or businesses, the payment of principal or interest due on indebtedness incurred in consummating our initial Business Combination, to fund the purchase of other companies, the payment of dividends, to fund the repurchase of the Company s shares and/or warrants, or for working capital.

As more fully described in note 6 to the Company s financial statements, the Company has announced a potential Business Combination with Bright World. The Company has incurred, and will continue to incur, substantial costs as it proceeds during the next six to nine months to successfully consummate the Bright World transaction, the success of which no assurance can be given. At June 30, 2008, the Company had cash and cash equivalents, interest receivable, and trust funds reserved for income taxes, aggregating $0.9 million, available to settle current liabilities aggregating $1.3 million for income taxes payable, accrued acquisition costs and accrued expenses, of which approximately $0.4 million is contingent upon the successful closing of the Bright World transaction.

We believe the funds available to us outside of the trust account, together with up to an aggregate of $3.2 million (of which $1.4 million was earned through June 30, 2008) of after-tax interest income on the balance of the trust account to be released to us to fund working capital and general corporate requirements, will be sufficient to allow us to operate through November, 2010, assuming a Business Combination is not completed during that time.

We do not believe we will need to raise additional funds in order to meet the expenditures required for operating our business. However, we will rely on interest earned of up to $3.2 million, on the trust account to fund such expenditures and, to the extent that the interest earned is below our expectations, we may have insufficient funds available to operate our business prior to our initial Business Combination. Based upon current market conditions, we expect to receive $3.2 million in interest income within approximately twenty-two months of the consummation of the Offering, although no assurance can be given. Moreover, we may need to raise additional funds through a private offering of debt or equity securities if such funds were required to consummate our initial Business Combination or because we become obligated to convert into cash a significant number of shares of Public Stockholders voting against our initial Business Combination or the Extended Period, in which case we may issue additional securities or incur debt in connection with such Business Combination. Such debt securities may include a working capital revolving debt facility or a longer term debt facility. Subject to compliance with applicable securities laws, we would only consummate such financing simultaneously with the consummation of a Business Combination.

**China Holdings Acquisition Corp.**

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**Critical Accounting Estimates**

Our discussion and analysis of our financial condition and results of operations are based upon our financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, income and expenses. On an ongoing basis, we re-evaluate all of our estimates. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may materially differ from these estimates under different assumptions or conditions as additional information becomes available in future periods.

**ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

During the quarter ended June 30, 2008, there have been no material changes in the information about our market risk.

**ITEM 4. CONTROLS AND PROCEDURES**

Our Chief Executive Officer and Chief Financial Officer have concluded, based on their evaluation as of June 30, 2008, that our disclosure controls and procedures are effective. There have been no changes in our internal control over financial reporting during the quarter ended June 30, 2008 that have materially affected or are reasonably likely to materially affect our internal control over financial reporting.

**PART II. OTHER INFORMATION**

**ITEM 1. LEGAL PROCEEDINGS**

None

**ITEM 1 A. RISK FACTORS**

None

**ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS**

**Use of Proceeds From Registered Offering**

Our Offering of 12,000,000 Units was declared effective on November 16, 2007. Each Unit consists of one share of the Company s common stock and one Public Warrant and was sold to the public at the price of $10.00 per unit. Our Offering was consummated on November 21, 2007, and we raised net proceeds of approximately $110,900,000, of which approximately $110,800,000 were deposited into our trust account. On December 14, 2007, the underwriters for our Offering exercised their over-allotment option to the extent of 800,000 Units, resulting in net proceeds of $7,440,000, which were deposited into our trust account. The net proceeds raised in our Offering, inclusive of the exercise of the over-allotment option, was net of $5,372,000 in underwriting and other expenses and $4,288,000 of deferred underwriting fees.

As of June 30, 2008, we have paid or incurred an aggregate of approximately $2,800,000 (of which approximately $350,000 is contingent upon the completion of the Bright World transaction) in expenses; which have been or will be paid out of the proceeds realized from our public offering and not held in trust, from the withdrawal of interest earned on the funds held in trust; and from withdrawals from the trust to satisfy our tax obligations. Our expenses include:

payment of estimated taxes incurred as a result of interest income earned on funds currently held in the trust account;

expenses for due diligence and investigation of prospective target businesses;

legal and accounting fees relating to our SEC reporting obligations and general corporate matters; and

Insurance premiums, administrative fees, franchise taxes and miscellaneous expenses.

The funds in the trust account are invested in permitted United States government securities. Up to an aggregate of $3,200,000 of after-tax interest income on the balance of the trust account may be released to the Company to fund working capital, due diligence and general corporate requirements.

**ITEM 3. DEFAULTS UPON SENIOR SECURITIES**

Not applicable.

**ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS**

Not applicable.

**ITEM 5. OTHER INFORMATION**

Not applicable

**ITEM 6. EXHIBITS**

10.1 Undertaking Agreement, dated as of July 20, 2008, among China Holdings Acquisition Corp., World Sharehold Limited, Wang Wei Yao and Shao Jian Jun*

10.2 Letter dated July 11, 2008 from China Holdings Acquisition Corp. to the Board of Directors of Bright World Precision Machinery Limited*

10.3 Letter dated July 15, 2008 from the Board of Directors of Bright World Precision Machinery Limited to China Holdings Acquisition Corp.*

31.1 Certification by Chief Executive Officer and Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

32.1 Certification by Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

* Incorporated by reference to the Registrant s Form 8-K, dated July 21, 2008.

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused the report to be signed on its behalf by the undersigned, thereunto duly authorized.

**CHINA HOLDINGS ACQUISITION CORP.**
(Registrant)

Date: August 14, 2008

By: /s/ Paul K. Kelly
Paul K. Kelly
Chairman of the Board of Directors and
Chief Executive Officer
(Principal Executive and Financial Officer)

## EXHIBITS

| Exhibit No. | Description |
|---|---|
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