

China Holdings Acquisition Corp.
Form 10-Q
May 15, 2009

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 March 31, 2009

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)

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Delaware
(State or other jurisdiction of

incorporation or organization)

61-1533071
(I.R.S. Employer

Identification No.)

1000 N. West Street, Suite 1200

Wilmington, DE
(Address of principal executive offices)

19801
(zip code)

302-295-4832

(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 ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☐ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the 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 ☐

Smaller reporting company ☒

(Do not check if a smaller reporting company)

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Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ 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 April 30, 2009 was 16,000,000.

China Holdings Acquisition Corp.
(a corporation in the development stage)
Condensed Balance Sheets

	December 31, 2008	Unaudited March 31, 2009
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 102,202	\$ 110,017
Interest receivable	116,363	43,059
Investments held in Trust	125,445,425	125,382,355
Prepaid expenses	34,078	13,037
Total current assets	125,698,068	125,548,468
Equipment, net	1,115	1,020
Deferred income taxes	711,525	772,314
TOTAL ASSETS	\$ 126,410,708	\$ 126,321,802
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Deferred underwriting fee	\$ 4,288,000	\$ 4,288,000
Income and capital taxes payable	224,554	113,199
Accrued expenses	168,935	218,957
Total current liabilities	4,681,489	4,620,156
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	625,186	597,613
TOTAL STOCKHOLDERS' EQUITY	81,365,254	81,337,681
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 126,410,708	\$ 126,321,802

See accompanying notes to financial statements.

China Holdings Acquisition Corp.

(a corporation in the development stage)

Unaudited Condensed Statements of Operations

	For the three months ended March 31, 2008	For the three months ended March 31, 2009	For the period from June 22, 2007 (inception) to March 31, 2009
Interest income	\$ 1,089,884	\$ 169,073	\$ 3,688,193
Formation and operating costs (Note 6)	122,355	159,270	1,107,955
Write-off of deferred acquisition costs related to terminated transaction		49,520	1,636,006
Income before provision for income taxes	967,529	(39,717)	944,232
Provision (benefit) for income taxes	377,134	(12,144)	346,619
Net income (loss) for the period	\$ 590,395	\$ (27,573)	\$ 597,613
Weighted average number of shares outstanding, basic and diluted	16,000,000	16,000,000	13,349,120
Net earnings per share, basic and diluted	\$ 0.04	\$ 0.00	\$ 0.04

See accompanying notes to financial statements.

China Holdings Acquisition Corp.
(a corporation in the development stage)
Condensed Statement of Stockholders' Equity
For the period from June 22, 2007 (inception) to March 31, 2009

	Common stock		Additional	Retained	Total
	Shares	Amount	Paid-In	Earnings	Stockholders
		\$	Capital	\$	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
Balance, December 31, 2007	16,000,000	16,000	80,724,068	298,693	81,038,761
Net income for the year				326,493	326,493
Balance, December 31, 2008	16,000,000	\$ 16,000	80,724,068	625,186	81,365,254
Unaudited:					
Net loss for the period				(27,573)	(27,573)
Balance, March 31, 2009	16,000,000	\$ 16,000	\$ 80,724,068	\$ 597,613	\$ 81,337,681

See accompanying notes to financial statements.

China Holdings Acquisition Corp.
(a corporation in the development stage)
Unaudited Condensed Statements of Cash Flows

	For the three months ended March 31, 2008	For the three months ended March 31, 2009	For the period from June 22, 2007 (inception) to March 31, 2009
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income (loss)	\$ 590,395	\$ (27,573)	\$ 597,613
Adjustments to reconcile net income (loss) to net cash used in operating activities:			
Depreciation	96	95	510
Deferred income taxes	(47,377)	(60,789)	(772,314)
Interest earned on trust fund	(1,229,806)	(242,279)	(3,633,306)
Changes in operating assets and liabilities:			
Interest receivable	141,809	73,304	(43,059)
Prepaid expenses and other assets	23,218	21,041	(13,037)
Income and capital taxes payable	190,210	(111,355)	113,199
Accrued expenses	4,875	50,022	218,957
Net cash used in operating activities	(326,560)	(297,534)	(3,531,437)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of investments held in Trust Fund			(125,278,000)
Withdrawals from trust fund	971,921	305,349	3,528,951
Purchases of equipment			(1,530)
Net cash (used in) provided by investing activities	971,921	305,349	(121,750,579)
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 registration costs	(11,329)		(5,386,717)
Net cash provided by (used in) financing activities	(11,329)		125,392,033
Net increase in cash and cash equivalents	634,032	7,815	110,017
Cash and Cash equivalents			
Beginning of period	67,753	102,202	
End of period	\$ 701,785	\$ 110,017	\$ 110,017
Supplemental disclosure of non-cash financing activities			
Accrual of deferred acquisition costs	\$ 315,000	\$	\$
Accrual of deferred underwriting fees	\$		\$ 4,288,000
Accrual of registration costs	\$ 16,329		

Supplemental disclosure of cash flow information:

Cash paid for income and capital taxes	\$	\$	160,000	\$	1,349,701
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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. The Company has focused on potential acquisition targets in the People's Republic of China ("China") (a "Target Business") since its initial public offering (the "Offering" - see Note 2). All activity from June 22, 2007 (inception) to March 31, 2009 is related to the Company's formation and capital raising activities.

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 March 31, 2009 and for the periods from June 22, 2007 (inception) to March 31, 2009, the three months ended March 31, 2008, and the three months ended March 31, 2009 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 March 31, 2009, the results of its operations and cash flows for the three months ended March 31, 2008, the three months ended March 31, 2009, and for the period from June 22, 2007 (inception) through March 31, 2009. 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, 2008 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 (the "SEC"). 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, 2008, 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 our 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 our amended and restated certificate of incorporation allowing our 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 (see Note 9). 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 by November 21, 2009. 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

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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 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. The financial statements have been prepared assuming that the Company will continue as a going concern.

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 in the JP Morgan U.S. Government Money Market Fund, Agency share class (ticker: OGAXX). 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.

The Company adopted SFAS No. 157 on January 1, 2008, delaying, as permitted, application for non-financial assets and non-financial liabilities. SFAS No. 157 establishes a framework for measuring fair value, and expands disclosures about fair value measurements. SFAS No. 157 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three levels, and requires that assets and liabilities carried at fair value are classified and disclosed in one of the following three categories:

Level 1: quoted prices (unadjusted) in active markets for an identical asset or liability that the Company has the ability to access as of the measurement date. Financial assets and liabilities utilizing Level 1 inputs include active-exchange traded securities and exchange-based derivatives.

Level 2: inputs other than quoted prices included within Level 1 that are directly observable for the asset or liability or indirectly observable through corroboration with observable market data. Financial assets and liabilities utilizing Level 2 inputs include fixed income securities, non-exchange based derivatives, mutual funds, and fair-value hedges.

Level 3: unobservable inputs for the asset or liability are only used when there is little, if any, market activity for the asset or liability at the measurement date. Financial assets and liabilities utilizing Level 3 inputs include infrequently-traded non-exchange-based derivatives and commingled investment funds, and are measured using present value pricing models.

In accordance with SFAS No. 157, the Company determines the level in the fair value hierarchy within which each fair value measurement falls in its entirety, based on the lowest level input that is significant to the fair value measurement in its entirety. In determining the appropriate levels, the Company performs an analysis of the assets and liabilities that are subject to SFAS No. 157 at each reporting period end.

The money market funds - held in trust, as described above, is the only financial instrument that is measured and recorded at fair value on the Company's balance sheet on a recurring basis. The following table presents the money market funds - held in trust at its level within the fair value hierarchy at December 31, 2008 and March 31, 2009.

	Total	Level 1	Level 2	Level 3
Investment held in Trust, December 31, 2008	\$ 125,445,425	\$ 125,445,425	\$	\$

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Investment held in Trust, March 31, 2009	\$ 125,382,355	\$ 125,382,355	\$	\$
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Note 3 Private Warrants and Offering

The Private Warrants (see Note 8) were issued on November 15, 2007, for net proceeds of \$2,750,000, which were subsequently deposited into the trust account.

Our Offering of 12,000,000 units was declared effective on November 15, 2007. Each unit consists of one share of the Company's common stock and one Public Warrant (see Note 8) and was sold to the public at the price of \$10.00 per unit. The Offering was consummated on November 21, 2007, and we raised net proceeds of \$110,900,000, of which \$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.

Note 4 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.

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 months ended March 31, 2008, the three months ended March 31, 2009, and the period from June 22, 2007 (inception) to March 31, 2009. Therefore, basic and diluted earnings per share are 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 and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of 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. There were no adjustments for uncertain tax positions in the current year

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 Company recognizes interest and penalties related to uncertain tax positions in income tax expense. All tax years remain open to examination by the major tax jurisdiction to which we are subject.

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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.

In September 2006 the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 157, Fair Value Measurements (SFAS No. 157). SFAS No. 157 defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurement. SFAS No. 157 also emphasizes that fair value is a market-based measurement, not an entity-specific measurement, and sets out a fair value hierarchy with the highest priority being quoted prices in active markets. Under SFAS No. 157, fair value measurements are disclosed by level within that hierarchy. In February 2008, the FASB issued FASB Staff Position No. 157-2, Effective Date of FASB Statement No. 157, which permits a one-year deferral for the implementation of SFAS No. 157 with regard to nonfinancial assets and liabilities that are not recognized or disclosed at fair value in the financial statements on a recurring basis. The Company adopted SFAS No. 157 for the fiscal year beginning January 1, 2008, except for nonfinancial assets and nonfinancial liabilities that are recognized or disclosed at fair value in the financial statements on a nonrecurring basis for which delayed application is permitted until our fiscal year beginning January 1, 2009. The Company has adopted the remaining provisions of SFAS No. 157 and has determined that such provisions do not have a material impact on the Company's financial position, results of operations or cash flows.

In December 2007, the FASB issued SFAS No. 141(R), Business Combinations (SFAS 141R), which establishes principles and requirements for how the acquirer of a business recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any non-controlling interest in the acquiree. SFAS 141R also provides guidance for recognizing and measuring the goodwill acquired in the business combination and determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination. SFAS 141R will apply to us with respect to any acquisitions that we complete and require any related acquisition costs to be expensed as incurred.

In December 2007, the FASB released SFAS No. 160, Noncontrolling Interests in Consolidated Financial Statements an amendment of ARB No. 51 (SFAS 160), which establishes accounting and reporting standards for the ownership interests in subsidiaries held by parties other than the parent and for the deconsolidation of a subsidiary. SFAS 160 also establishes disclosure requirements that clearly identify and distinguish between the interest of the parent and the interests of the non-controlling owners. SFAS 160 is effective for financial statements issued for fiscal years beginning after December 15, 2008. SFAS 160 will apply to us with respect to any acquisitions, that we complete on or after January 1, 2009, which will result in a noncontrolling interest.

In June 2008, the FASB ratified Emerging Issues Task Force (EITF) Issue No. 07-5, Determining Whether an Instrument (or Embedded Feature) is Indexed to an Entity's Own Stock (EITF 07-5). EITF 07-5 mandates a two-step process for evaluating whether an equity-linked financial instrument or embedded feature is indexed to the entity's own stock. It is effective for fiscal years beginning after December 15, 2008. Any outstanding instrument at the date of adoption will require a retrospective application of the accounting through a cumulative effect adjustment to retained earnings upon adoption. The Company has adopted EITF 07-5 and has determined that there is no impact on the Company's financial statements.

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Note 5 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 2028.

The Company has recorded a deferred tax asset for the tax effect of temporary differences of \$711,525 and \$772,314 at December 31, 2008 and March 31, 2009, respectively. 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 temporary differences creating the Company's deferred tax assets relate to currently non-deductible formation and operating costs. The effective tax rate of 39% for the three months ended March 31, 2008 differs from the Federal statutory rate of 34% due to the effect of state income taxes of 5%. The effective tax rate of 34% for the three months ended March 31, 2009 equals the Federal statutory rate of 34%. The effective tax rate of 37% for the period from June 22, 2007 (inception) to March 31, 2009 differs from the Federal statutory rate of 34% due to the effect of state income taxes of 3%.

During the year ended December 31, 2008, the Company's state tax computation based upon income fell below the minimum level required by an alternative, capital-based state tax computation. Consequently, the Company ultimately did not record a state tax provision based upon income for 2008 and, instead, recorded a capital-based state tax provision which was included in the income statement caption "Formation and operating costs" in the Company's Annual Report filed on Form 10-K.

The components of income tax expense (benefit) are:

	For the three months ended March 31, 2008	For the three months ended March 31, 2009	For the period from June 22, 2007 (inception) to March 31, 2009
Currently payable:			
Federal	\$ 342,769	\$ 48,645	\$ 1,085,895
State	81,742		45,116
Deferred:			
Federal	(38,254)	(60,789)	(775,971)
State	(9,123)		(8,421)
Total income tax expense (benefit)	\$ 377,134	\$ (12,144)	\$ 346,619

Note 6 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

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Combination, or (ii) the Company's dissolution. The Company recognized \$30,000, \$30,000, and \$165,000 of expense under this arrangement for the three months ended March 31, 2008, the three months ended March 31, 2009, and for the period from June 22, 2007 (inception) to March 31, 2009, respectively. Effective June 1, 2009, the Company will defer its monthly payment for such services until the termination of the agreement.

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 at December 31, 2008 and March 31, 2009.

Initial Stockholders

Pursuant to letter agreements with the Company and the Representatives in the Offering and the warrant private placement offering described below, 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 7 Capital Stock

Preferred Stock

The Company is authorized to issue 1,000,000 shares of preferred stock, par value \$0.0001 per share, with such designations, voting and other rights and preferences as may be determined from time to time by the Board of Directors. No shares of preferred stock were outstanding as of December 31, 2008, nor as of March 31, 2009.

Common Stock

On November 15, 2007, the Company's Board of Directors authorized a stock dividend of 0.2 shares for each outstanding share of common stock. All references in the accompanying financial statements to the number of shares of common stock have been retroactively restated to reflect this transaction.

The Company is authorized to issue 40,000,000 shares of common stock, par value \$0.001 per share, with such designations, voting and other rights and preferences as may be determined from time to time by the Board of Directors.

Note 8 Warrants

Public Warrants

Each warrant sold in the Offering (a "Public Warrant") is exercisable for one share of common stock. Except as set forth below, the Public Warrants entitle the holder to purchase shares at \$7.50 per share, subject to adjustment in the event of stock dividends and splits, reclassifications, combinations and similar events for a period commencing on the later of: (a) completion of the Business Combination and (b) one year from the closing date of the Offering of the Company's securities, and ending November 16, 2012. The Company has the ability to redeem the Public Warrants, in whole or in part, at a price of \$.01 per Public Warrant, at any time after the Public Warrants become exercisable, upon a minimum of 30 days' prior written notice of redemption, and if, and only if, the last sale price of the Company's common stock equals or exceeds \$14.25 per share, for any 20 trading days within a 30 trading day period ending three business days before the Company sent the notice of redemption. If the Company dissolves before the consummation of a Business Combination, there will be no distribution from the Trust

Account with respect to such Public Warrants, which will expire worthless.

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Private Warrants

Prior to the closing of the Offering, the Company sold to certain of its Initial Stockholders 2,750,000 warrants (*Private Warrants*) in a private placement, at a price of \$1.00 per Private Warrant, for an aggregate of \$2,750,000.

The Private Warrants are identical to the Public Warrants and may not be sold or transferred, except in limited circumstances, until after the consummation of a Business Combination. If the Company dissolves before the consummation of a Business Combination, there will be no distribution from the Trust Account with respect to such Private Warrants, which will expire worthless.

As the proceeds from the exercise of the Public Warrants and Private Warrants will not be received until after the completion of a Business Combination, the expected proceeds from exercise will not have any effect on the Company's financial condition or results of operations prior to a Business Combination.

Reserve Common Stock

At December 31, 2008, and March 31, 2009, 15,550,000 shares of common stock were reserved for issuance upon exercise of Public Warrants and the Private Warrants.

Registration Rights Warrants

In accordance with the Warrant Agreement related to the Public Warrants and the registration rights agreement associated with the Private Warrants (collectively the Public Warrants and Private Warrants are the *Warrants*), the Company will only be required to use its best efforts to register the Warrants and the shares of Common Stock issuable upon exercise of the Warrants and once effective to use its best efforts to maintain the effectiveness of such registration statement. The Company will not be obligated to deliver securities, and there are no contractual penalties for failure to deliver securities, if a registration statement is not effective at the time of exercise. However, with regards to the Private Warrants, the Company may satisfy its obligation by delivering unregistered shares of common stock. Additionally, in the event that a registration statement is not effective at the time of exercise, the holders of such Warrants shall not be entitled to exercise. In no event (whether in the case of a registration statement not being effective or otherwise) will the Company be required to net cash settle a Warrant exercise. Consequently, the Warrants may expire unexercised, unredeemed and worthless. The holders of Warrants do not have the rights or privileges of holders of the Company's common stock or any voting rights until such holders exercise their respective warrants and receive shares of the Company's common stock.

China Holdings Acquisition Corp.

(a corporation in the development stage)

Note 9 Acquisition of Bright World and subsequent event

As previously announced on a Form 8-K filed on April 3, 2009, the Company announced the withdrawal of our pre-conditional voluntary cash offer (the Pre-Conditional Offer) to acquire all the issued shares of Bright World Precision Machinery Limited (Bright World).

As previously announced on a Form 8-K filed on July 21, 2008 and on a Form 8-K filed on October 24, 2008, the Company entered into a definitive Undertaking Agreement on July 20, 2008, which was subsequently amended on October 24, 2008 (the Undertaking Agreement), with World Sharehold Limited (the Selling Shareholder), the majority shareholder of Bright World, Wang Wei Yao and Shao Jian Jun (collectively, with World Sharehold, the Sellers), pursuant to which the Company agreed to make a voluntary conditional cash offer, and the Sellers agreed to accept the voluntary conditional cash offer in respect of all of the Bright World shares held by them, upon satisfaction of certain pre-conditions. One pre-condition was that, after July 20, 2008, no change occurred in the financial condition, operations, results of operations or prospects of Bright World, World Precise Machinery (China) Co., Ltd (WPM), Bright World Heavy Machinery Tools (China) Co., Ltd (BWHM), Shanghai Shangduan Stamping Machines Co., Ltd (SSS) or any of their subsidiaries (Bright World, WPM, BWHM, SSS and their subsidiaries herein collectively referred to as the Group) that caused, among other things, the Group's profit after tax for the full year period ending December 31, 2008 to decrease 10% or more as compared to the Group's profit after tax for the corresponding full year period ended December 31, 2007 (the MAC Pre-Condition).

On March 31, 2009, the board of directors of Bright World announced that, subsequent to the February 20, 2009 release of Bright World's announcement of its unaudited results for the year ended December 31, 2008 (FY2008 Financial Statements) and response to queries on February 28, 2009, from the Singapore Exchange Securities Trading Limited with respect to the FY2008 Financial Statements, Bright World's auditors made certain adjustments to the FY2008 Financial Statements to increase the allowance for doubtful debts (the Adjustment to the Results Announcement). The Adjustment to the Results Announcement states that the Group's profit after tax for the full year ended December 31, 2008 decreased by 11.3% to approximately RMB 127.9 million as compared to approximately RMB 144.3 million for the corresponding full year period ended December 31, 2007.

On April 1, 2009, the Company delivered a letter to the Singapore Securities Industry Council (the SIC) in which the Company (x) stated that, in light of the Adjustment to the Results Announcement, the MAC Pre-Condition had not been satisfied, (y) stated that we were entitled to withdraw the Pre-Conditional Offer, in accordance with the terms of the Undertaking Agreement, and (z) sought confirmation from the SIC that it had no objections to us withdrawing the Pre-Conditional Offer.

On April 2, 2009, the SIC confirmed that it had no objections to the Company withdrawing the Pre-Conditional Offer, and the board of directors of the Company approved the withdrawal of the Pre-Conditional Offer.

On April 3, 2009, the Company issued a press release announcing the withdrawal of the Pre-Conditional Offer. Accordingly, the Company has written-off \$1,636,006 of aggregate acquisition costs through March 31, 2009 due to the termination of the acquisition of Bright World.

On April 29, 2009, the Company terminated the Undertaking Agreement effective as of April 3, 2009.

Subsequent to the termination of the Undertaking Agreement the Company entered into a letter of intent for a potential business combination. As a result, the Company has met the condition under its amended and restated certificate of incorporation that permits it until November 21, 2009 to complete an initial business combination meeting the criteria set forth therein.

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, 2008.

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 Exchange Act. 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 year ended December 31, 2008 and the Risk Factors section of our prospectus (File No. 333-145085), declared effective by the SEC on November 15, 2007, 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, continue, or the 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.

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 consummate a business combination (the Business Combination), including the search for a suitable target business. We will not generate any operating revenues until after completion of a Business Combination. For the three months ended March 31, 2008 and March 31, 2009, the Company generated \$1,089,884 and \$169,073, respectively, of non-operating income, primarily in the form of interest income on investments in our trust account. The decrease in interest income during 2009 was due to a significant drop in interest rates earned on securities in the trust account. For the three months ended March 31, 2008, the Company incurred \$122,355 of formation and operating costs consisting primarily of franchise taxes, accounting fees, administrative fees, and insurance premiums. For the three months ended March 31, 2009, the Company incurred \$159,270 of formation and operating costs primarily consisting of franchise taxes, accounting fees, administrative fees, exchange listing fees, and insurance premiums. The increase in formation and operating costs during 2009 was primarily due to the timing of expenses related to exchange listings. During the three months ended March 31, 2008, the Company incurred deferred acquisition costs of \$315,000 related to the Bright World acquisition. As a result of the termination of the Bright World acquisition, deferred acquisition costs of \$1,586,486 were written off at December 31, 2008. During the three months ended March 31, 2009, the Company incurred an additional \$49,520 of expenses related to the Bright World acquisition. We expect to continue to incur expenses as a result of being a public company (for legal, financial reporting, accounting and auditing compliance), as well as, for due diligence and other related costs.

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.

At March 31, 2009, the Company had cash and cash equivalents, interest receivable, and trust funds reserved for income taxes, aggregating approximately \$257,000, available to settle current liabilities aggregating approximately \$332,000 for income taxes payable and accrued expenses. We do not believe we will need to raise additional funds in order to meet the expenditures required for operating our business, exclusive of future due diligence costs and professional fees associated with a Business Combination. We will rely on interest earned of up to \$3.2 million (of which the portion of the trust earnings available to us was \$2.2 million through March 31, 2009), 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. Consequently, it is highly likely that the Company will be required to implement deferred and contingent fee arrangements and/or raise additional funds through private borrowings from its founders or third parties in order to fund due diligence and professional fees in connection with any future acquisition. In the event that a Business Combination is consummated, we may fund a portion of some expenses from the net proceeds of the trust account. 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.

Effective June 1, 2009, the Company will defer its monthly payment of \$10,000 to an affiliate of a stockholder for secretarial and administrative expenses until the earlier of: (i) the completion of the Company's Business Combination, or (ii) the Company's dissolution.

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.

Management has discussed the development and selection of critical accounting estimates with the Audit Committee of the Board of Directors and the Audit Committee has reviewed our disclosure relating to critical accounting estimates in this Quarterly Report on Form 10-Q.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

During the quarter ended March 31, 2009, 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 March 31, 2009, that our disclosure controls and procedures are effective. There have been no changes in our internal control over financial reporting during the quarter ended March 31, 2009 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 1A. 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 March 31, 2009, we have paid or incurred an aggregate of approximately \$3,875,000 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 Deed of Termination and Mutual Release, effective as of April 3, 2009, among China Holdings Acquisition Corp., World Sharehold Limited, Wang Wei Yao and Shao Jian Jun.
- 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.

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: May 15, 2009

By: /s/ Paul K. Kelly

Paul K. Kelly

Chairman of the Board of Directors and Chief Executive Officer

(Principal Executive and Financial Officer)

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