江晨國際控股有限公司

Jiangchen International Holdings Limited

(Incorporated in the Cayman Islands with limited liability)
(stock code : 01069)

INTERIM REPORT

2013

CONTENTS

CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Mr. Lei Zuliang
(Appointed as Chairman on 21 June 2013)
Mr. Cai Shuiyong
(Resigned as Chairman and Chief Executive Officer on 21 June 2013 and 2 July 2013 respectively)
Mr. Cai Shuiping *(Resigned on 14 February 2013)*

NON-EXECUTIVE DIRECTOR

Professor Liu Zhikun

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Long Weihua
Mr. Zhou Wei *(Appointed on 17 June 2013)*
Ms. Tian Guangmei *(Appointed on 17 June 2013)*
Mr. Liu Jianlin *(Resigned on 19 June 2013)*
Ms. Chan Ling *(Resigned on 24 June 2013)*

AUDIT COMMITTEE

Mr. Zhou Wei
(Appointed as member on 17 June 2013 and as Chairman on 19 June 2013)
Mr. Long Weihua
Ms. Tian Guangmei *(Appointed on 24 June 2013)*
Mr. Liu Jianlin *(Resigned on 19 June 2013)*
Ms. Chan Ling *(Resigned on 24 June 2013)*

REMUNERATION COMMITTEE

Mr. Zhou Wei
(Appointed as member on 17 June 2013 and as Chairman on 24 June 2013)
Mr. Cai Shuiyong
Mr. Long Weihua
Ms. Chan Ling *(Resigned on 24 June 2013)*

NOMINATION COMMITTEE

Mr. Zhou Wei
(Appointed as member on 17 June 2013 and as Chairman on 24 June 2013)
Mr. Cai Shuiyong
Mr. Long Weihua
Ms. Chan Ling *(Resigned on 24 June 2013)*

JOINT COMPANY SECRETARIES

Mr. Ding Liang *CGA, ACCA* *(Appointed on 24 June 2013)*
Ms. Chan Ling *CPA, MSc* *(Appointed on 24 June 2013)*
Mr. Kwong Ping Man *CPA, ACIS, ACS*
(Resigned on 4 June 2013)

AUTHORIZED REPRESENTATIVES

Mr. Cai Shuiyong
Mr. Ding Liang *CGA, ACCA* *(Appointed on 4 June 2013)*
Mr. Kwong Ping Man *CPA, ACIS, ACS*
(Resigned on 4 June 2013)

INDEPENDENT AUDITORS

SHINEWING (HK) CPA Limited
Certified Public Accountants

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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The PRC

CAYMAN ISLANDS SHARE REGISTRAR AND TRANSFER OFFICE

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HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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PRINCIPAL BANKERS

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Wannian County, Jiangxi Province
The PRC

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COMPANY WEBSITE

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STOCK CODE

01069

FINANCIAL HIGHLIGHTS

Interim results for the six months ended 30 June 2013

- Turnover of Jiangchen International Holdings Limited (the "**Company**") and its subsidiaries (hereinafter referred to as the "**Group**") for the six months ended 30 June 2013 amounted to approximately Renminbi ("**RMB**") 25.1 million (For the six months ended 30 June 2012: approximately RMB49.5 million), representing a decrease of 49.3% as compared with corresponding period in 2012.

- Total comprehensive income attributable to the owners of the Company for the six months ended 30 June 2013 amounted to approximately RMB22.5 million (Total comprehensive expense attributable to the owners of the Company for the six months ended 30 June 2012: approximately RMB2.2 million). The profit and total comprehensive profit attributable to owners of the Company for the six months ended 30 June 2013 was mainly attributable to the gain on bargain purchase from acquisition of subsidiaries. Without taking the gain on bargain purchase from acquisition of subsidiaries into consideration, the Company experienced total comprehensive expense attributable to the owners of the Company for the six months ended 30 June 2013.

- Basic and diluted earnings per share for the six months ended 30 June 2013 amounted to RMB0.051 and RMB0.050, respectively (Basic and diluted loss per share for the six months ended 30 June 2012: RMB0.006).

- The board (the "**Board**") of directors (the "**Directors**") of the Company does not recommend the payment of an interim dividend for the six months ended 30 June 2013 (For the six months ended 30 June 2012: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

After the completion of the acquisition of China Timbers Limited ("**China Timbers**") and its subsidiaries in late May 2013, the Group has positioned the forestry management business as its core business, with over 25,300 Chinese Mu forest lands under management as at 30 June 2013. The Group is also engaged in the manufacturing and wholesaling of apparels on an original equipment manufacturing ("**OEM**") basis in the PRC. The apparels produced by the Group can be broadly categorized into cotton and sweat jacket, sportswear and leisurewear, trousers and children garment.

The Forestry Management Business

As a result of the continuing adverse conditions in the garment business segment and the implementation of strategic diversification, the Company has been actively seeking for diversified business opportunities. The Company has started to foray into forestry management business via acquisitions of companies engaging in the operation and management of forest lands in the PRC since 2012.

As at 30 June 2013, the long-lease forest lands in the PRC owned by the Group were approximately 3,530 Chinese Mu and 21,786 Chinese Mu in Dali City of Yunnan Province and Jiange County of Sichuan Province, respectively.

The Group has not yet commenced any harvesting works in the forest lands located in Jiange County of Sichuan Province since the completion of the acquisition in late May 2013. The harvesting works are expected to begin in September 2013. As disclosed in the circular dated 30 April 2013, China Timbers has already obtained all necessary permits and approvals for its harvesting works in the forest, including but not limited to, the forestry certificates in respect of the titles and the land use rights and the timbers cultivated thereon, logging permit and transportation permit for the year of 2013. The Company targets to harvest 25,000 cubic metres of forest stock in the second half of 2013.

The forest lands situated in Dali City of Yunnan Province have been under various maintenance works, and the logging and transportation permits of the forest lands are being applied before the commencement of harvesting work. Accordingly, nil revenue has been contributed from China Timbers and Rongxuan Forestry Investment Holdings Limited ("**Rongxuan**") to the Group for the six months ended 30 June 2013.

The Garment Business

During the six months ended 30 June 2013, the Group's garment business consisted of manufacturing and wholesaling of OEM basis apparels. The PRC market remained as the most important market segment of the Group, accounting for over 90% of the Group's total revenue.

The PRC market did not grow to the extent that the Company had hoped during the six months ended 30 June 2013. During the period, the Group faced a very complex and volatile environment both domestically and internationally. The core garment manufacturing business of the Group has been significantly impacted by unfavorable and uncertain global macroeconomic environment and the Group continued to face considerable head winds from mounting manufacturing costs, shortage of skilled sewing workers, slowing domestic demand as well as strong domestic and international competitions. As a result, the garment business of the Group was adversely affected for the six months ended 30 June 2013.

Financial Review

Turnover

During the period under review, the Company recorded a turnover of RMB25.1 million for the six months ended 30 June 2013, an approximately 49.3% decrease as compared to RMB49.5 million for the six months ended 30 June 2012. It entirely represents the turnover from the garment business segment of the Group as no harvesting works were carried out on the forests lands during the period under review. Such significant drop was mainly due to the slowdown of both domestic and international demand and the fierce competition in garment industry in the PRC.

The turnover of the Company's OEM apparels sold to domestic import and export companies and overseas trading companies for export for the six months ended 30 June 2013 was approximately RMB22.9 million (For the six months ended 30 June 2012: RMB38.4 million), representing a decrease of approximately 40.4% as compared with the corresponding period in 2012. Such decrease was mainly attributable to the unstable global economic conditions which slowed down the export of the Group's apparel products.

The Company also distributes its own brand apparels to local chain stores, its franchise stores and through its wholesale outlets in China. The turnover from distribution of the Company's brand apparels for the six months ended 30 June 2013 was approximately RMB2.2 million (For the six months ended 30 June 2012: approximately RMB11.1 million), which is approximately 80.2% lower than that for the corresponding period in 2012.

In terms of product mix, turnover of OEM products represent approximately 91.4% of the total turnover (For the six months ended 30 June 2012: approximately 77.6%) while turnover of the brand products only account for approximately 8.6% (For the six months ended 30 June 2012: approximately 22.4%).

For the six months ended 30 June 2013, no turnover was recorded for the forestry management business.

Gross Loss and Gross Margin

The Group recorded a gross loss of approximately RMB0.6 million for the six months ended 30 June 2013 (Gross loss for the six months ended 30 June 2012: RMB0.5 million), representing an increase of approximately 20.0% as compared to that for the corresponding period in 2012. Gross margin is calculated as gross loss divided by turnover. The gross margin was approximately -2.3% (2012: approximately -1%). The decrease in gross margin in 2013 was mainly attributable to the lower demands for the Group's products from the Group's import and export customers, which resulted in a significant decrease in sales.

Gain/(Loss) Arising From the Changes in Fair Value Less Costs to Sell of Plantation Forest Assets

During the six months ended 30 June 2013, the Group recognised a decrease of fair value less costs to sell of plantation forest assets of approximately RMB38,000, which was valued by Ascent Partners Valuation Service Limited ("**Ascent Partners**"), the independent qualified professional valuer appointed by the Company, who undertook the valuations of the plantation assets in Yunnan Province and Sichuan Province of the Group as at 30 June 2013.

Biological Assets

The biological assets of the Group included the forest lands situated in Dali City of Yunnan Province and Jiange County of Sichuan Province.

Ascent Partners has performed valuations update on the aforesaid forests assets to assist the Group in assessing the fair value of those biological assets.

The net decrease in value was mainly due to the changes in fair value less costs to sell of RMB38,000. The movements of biological assets were as follows:

	Yunnan Forest RMB'000	**Sichuan Forest** RMB'000	**Total** RMB'000
At 1 January 2012 (audited)	–	–	–
Acquisition of assets on an acquisition of subsidiaries	17,396	–	17,396
Change in fair value less costs to sell	1,799	–	1,799
At 31 December 2012 and at 1 January 2013 (audited)	19,195	–	19,195
Acquisition of subsidiaries	–	223,930	223,930
Changes in fair value less costs to sell	(38)	–	(38)
At 30 June 2013 (unaudited)	19,157	223,930	243,087

Selling and Distribution Costs

The selling and distribution costs of the Group decreased from approximately RMB0.5 million for the six months ended 30 June 2012 to approximately RMB0.3 million for the six months ended 30 June 2013, representing a decrease of approximately 40%. The decrease in selling and distribution costs was mainly attributable to the reduced amount of transportation costs owing to the decreased sales volumes of the Group's apparel products.

Administrative Expenses

The administrative expenses of the Group increased by approximately 380% from approximately RMB1.0 million for the six months ended 30 June 2012 to approximately RMB4.8 million for the six months ended 30 June 2013. The significant increase in administrative expenses was mainly attributable to the increased amounts of legal and professional fees incurred in the acquisition of China Timbers.

Finance Costs

The finance costs were related to the interest expenses incurred in relation to the zero coupon convertible bonds for the acquisition of Rongxuan on 11 July 2012 and the promissory note and pledged notes for the acquisition of China Timbers. For the six months ended 30 June 2013, interest expenses incurred on promissory note (including the pledged notes) and convertible bonds accounted for 95.3% and 4.7% of total finance costs, respectively.

Income Tax Expense

The effective tax rate of the Group for the six months ended 30 June 2013 was 0% because no income tax expense was incurred (For the six months ended 30 June 2012: 0%).

Profit/Loss and Total Comprehensive Income/Expense attributable to Owners of the Company

As a result of the above changes, the Company recorded total comprehensive income attributable to owners of the Company of approximately RMB22.5 million for the six months ended 30 June 2013, as compared to total comprehensive expense attributable to owners of the Company of approximately RMB2.2 million for the six months ended 30 June 2012. The profit and total comprehensive profit attributable to owners of the Company for the six months ended 30 June 2013 was mainly attributable to the gain on bargain purchase from acquisition of subsidiaries. Without taking the gain on bargain purchase from acquisition of subsidiaries into consideration, the Company experienced total comprehensive expense attributable to the owners of the Company for the six months ended 30 June 2013.

Basic and Diluted Earnings/Loss per Share

Basic and diluted earnings per share for the six months ended 30 June 2013 amounted to RMB0.051 and RMB0.050, respectively (The basic and diluted loss per share for the six months ended 30 June 2012: RMB0.006).

Employees and Remuneration Policies

As at 30 June 2013, the Group employed a total of 741 employees as compared to 981 employees as at 31 December 2012, including the Directors. Total staff costs for the period under review, including Directors' remuneration, amounted to approximately RMB7.6 million (For the six months ended 30 June 2012: approximately RMB11.4 million). The Group's remuneration policy is in line with the prevailing market standards and is determined on the basis of performance and experience of individual employee. Other employee benefits include contributions to social insurance scheme.

The Group has adopted a share option scheme pursuant to which the Directors may grant options to individuals including Directors, employees or consultants of the Group to acquire shares of the Company. The Directors consider that the share option scheme assists in recruiting and retaining high caliber executives and employees.

Liquidity and Financial Resources

The Group generally finances its daily operations from internally generated cash flows. As at 30 June 2013, the Group had total assets of approximately RMB360.9 million and net assets of approximately RMB96.5 million. The Group's cash and bank balances as at 30 June 2013 amounted to approximately RMB28.4 million and there were no secured bank borrowings.

On 18 January 2013, in order to provide additional general working capital of the Group, the Company entered into the warrant subscription agreements with the subscribers, pursuant to which the Company agreed to issue and the subscribers agreed to subscribe for an aggregate of 22,000,000 unlisted warrants at the issue price of HK$0.01 per warrant. It is expected that approximately HK$21.5 million will be raised from the issue of the new shares upon the full exercise of the subscription rights attaching to the warrants.

On 16 May 2013, the Company entered into the supplemental deed to include certain terms of the subscription agreement dated 15 November 2012 with Maple Reach Limited ("**Maple Reach**"), Well Bright Group Limited ("**Well Bright**") and China Construction Bank (Asia) Corporation Limited ("**CCBA**"), pursuant to which Maple Reach will be granted warrants to be convertible into 25,000,000 shares at an exercise price equivalent to HK$1.0644 per share for the purpose of settlement alternative to the redemption premium to be paid to Maple Reach pursuant to the terms of the subscription agreement.

Taking into account the cash reserves and the net proceeds upon the full exercise of the subscription rights attaching to the warrants, the Group's financial position is healthy, advantageously positioning the Group to achieve its business objectives.

Pledge on Assets

As at 30 June 2013, the Group had pledged certain of its building and prepaid lease payments to secure banking facilities granted to the Group. The carrying values of the assets pledged are as follows:–

	30 June 2013 RMB'000	31 December 2012 RMB'000
Buildings	**–**	1,403
Prepaid lease payments	**–**	1,081
	–	2,484

As at 30 June 2013, the Company has pledged its entire equity interest in Rongxuan and all of its subsidiaries to Maple Reach as security for the pledged notes subscribed by Maple Reach as described in note 17. The Company has further pledged its entire equity interest in China Timbers and all of its subsidiaries to Maple Reach on 23 August 2013 as security for the aforesaid pledged notes.

Material Litigation

As at 30 June 2013, the Group was not involved in any material litigation or arbitration (31 December 2012: nil).

Contingent Liabilities

As at 30 June 2013, the Group did not have any significant contingent liabilities (31 December 2012: nil).

Foreign Exchange Exposure and Related Hedges

The Group's transactions are mainly denominated in Hong Kong dollars and RMB. Therefore, the Group is exposed to exchange rate risk. The majority of the Group's cash and bank balances are also denominated in these two currencies. During the six months ended 30 June 2013, the Group did not experience significant exposure to exchange rate and interest rate fluctuations. Accordingly, the Group has not implemented any foreign currency hedging policy at the moment. However, the management of the Group will constantly review the economic situation, development of each business segment and the overall foreign exchange risk profile, and will consider appropriate hedging measures in the future when necessary.

Gearing Ratio

The gearing ratio of the Group was approximately 71.6% as at 30 June 2013, based on total borrowings (including convertible bonds, pledged note and promissory notes) to total assets of the Group (31 December 2012: 13.5%).

Capital Structure

The capital of the Group comprises only ordinary shares. As at 30 June 2013, the total number of the ordinary shares of the Group in issue was 370,000,000 shares (30 June 2012: 370,000,000). The total equity attributable to the owners of the Company was approximately RMB96.5 million (31 December 2012: approximately RMB73.9 million).

On 18 January 2013, the Company entered into the warrant subscription agreements with the subscribers. Pursuant to the warrant subscription agreements, the Company agreed to issue and the subscribers agreed to subscribe for an aggregate of 22,000,000 unlisted warrants at the issue price of HK$0.01 per warrant, pursuant to which the holders of the unlisted warrants would be entitled to subscribe for up to 22,000,000 new shares at the initial subscription price of HK$0.99 per new share within a period of 3 years commencing from (and inclusive of) the date of issuance of the unlisted warrants. The placing of the unlisted warrants was completed on 28 March 2013. Details of the warrant subscription agreements were disclosed in the announcements of the Company dated 18 January 2013 and 1 February 2013, as well as the announcement of completion of the issuance of the unlisted warrants dated 28 March 2013. At the date of this report, none of the abovementioned 22,000,000 unlisted warrants have been converted.

On 16 May 2013, the Company entered into the supplemental deed to include certain terms of the subscription agreement dated 15 November 2012 with Maple Reach, Well Bright and CCBA, pursuant to which Maple Reach will be granted unlisted warrants convertible into 25,000,000 shares at an exercise price equivalent to HK$1.0644 per share. On 24 June 2013, the shareholders approved the resolution regarding the issuance of unlisted warrants mentioned above under a specific mandate, and an aggregate of 25,000,000 warrants were issued by the Company to Maple Reach on 5 July 2013. Details of the supplemental deed and subscription agreement were disclosed in the announcements of the Company dated 16 May 2013 and 15 November 2012, respectively. At the date of this report, none of the abovementioned warrants have been converted.

On 16 July 2013, the issued zero coupon convertible bonds with principal amount amounted to HK$21,300,000 as the consideration of the acquisition of 100% equity interest in Rongxuan in 2012 were converted into 26,296,296 ordinary shares at a conversion price of HK$0.81 per share. Accordingly, at the date of this report, the total number of ordinary shares of the Group in issue was 396,296,296 shares.

Capital Commitments

Save as disclosed herein, as at 30 June 2013, the Group did not have any significant capital commitment (31 December 2012: RMB229,133,000).

Significant investments held and material acquisitions and disposals

On 10 December 2012, the Company and Mr. Du Jianjun entered into the acquisition agreement, as supplemented by two supplemental agreements dated 2 January 2013 and 26 March 2013, pursuant to which, among other things, the Company conditionally agreed to acquire from Mr. Du Jianjun the entire issued share capital of China Timbers at a consideration of HK$280,000,000, which was to be satisfied by HK$136,000,000 in the form of cash, and the remaining balance in the form of promissory note. The acquisition of China Timbers was approved by the shareholders on 16 May 2013 and the aforesaid acquisition was completed on 28 May 2013. Details of the acquisition of China Timbers were disclosed in the announcements of the Company dated 10 December 2012, 2 January 2013, 26 March 2013 and the circular dated 30 April 2013, as well as the poll result and completion of acquisition announcements dated 16 May 2013 and 28 May 2013, respectively.

Save as disclosed above, there were no significant investments held, material acquisitions or disposals of subsidiaries for the six months ended 30 June 2013.

Future Plans for Material Investments or Capital Assets

Reference is made to the announcement dated 24 July 2013. On 24 July 2013, the Company entered into a strategic cooperation framework agreement with the People's Government of Jiange County in Sichuan Province. Pursuant to the aforesaid framework agreement, subject to the approvals by the shareholders and relevant regulatory authorities, the Company will invest by phases in sustainable forest management on more than 400,000 Chinese Mu forestry land in Jiange County and receive a harvest quota of not less than 60,000 cubic metres per annum.

Save as disclosed above and up to the date of this report, the Group has not yet entered into any legally binding agreement or arrangement with respect to any investment opportunities except those disclosed in the relevant public announcements and this report.

Prospect and Outlook

The first half of 2013 was a challenging period for the Company. Unfavorable global macroeconomic conditions have continued to generate negative impact on the garment business of the Group. The escalating cost of raw materials and labor wages, shortage of skilled sewing workers, slowing domestic demand as well as keen domestic and international competitions have adversely affected the gross margin of the Group.

China has been displaying signs of an economic slowdown after a decade of significant growth. Worldwide economic environment remains volatile with many uncertainties. The federal reserve of United States of America is expected to begin tapering the pace of its bond purchasing program in the near future, whereas heavy indebtedness, sky-high unemployment and lackluster growth still persist in the Euro zone. Based on the aforesaid economic factors, combined with mounting costs of manufacturing and lack of skilled sewing workers in the PRC, the management of the Company holds a conservative view on the performance of the garment business in the second half of 2013. Nonetheless, the Group will continue to exercise stringent control over production costs and improve its manufacturing processes for the garment business segment in order to minimize the negative effects the economy has brought upon its sales.

On 28 May 2013, the Company completed the acquisition of China Timbers. With the acquisition of Rongxuan in the first half of 2012, the Company has positioned forestry management business as its core business segment of the Group. Notwithstanding the fact that the forestry management business segment is still at its preliminary stage, the Company is confident and optimistic that the forestry management business will be resilient and will be able to increase the income stream and bring additional stable earnings to the Group, and hence, maximizing returns to the Company and its shareholders.

DISCLOSURE OF ADDITIONAL INFORMATION

Interests and Short Positions of the Directors in Shares, Underlying Shares and Debentures of the Company and its Associated Corporations

As at 30 June 2013, none of the Directors or chief executives of the Company had any interests or short positions in the shares, underlying shares and debentures (as the case may be) of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")) which require notification pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which are required, pursuant to Section 352 of Part XV of the SFO, to be entered in the register kept by the Company, or which are required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as contained in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**").

Interests and Short Positions of Substantial Shareholders in Shares and Underlying Shares of the Company

As at 30 June 2013, so far as is known to the Directors and taking no account of the shares to be issued pursuant to options which may be granted under the Scheme (as defined below), the following persons (other than the Directors or chief executive of the Company), who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company in accordance with the provision of Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein, were as follows:-

Long position in shares of the Company

Name	Capacity	Number of ordinary shares	Percentage of issued share capital
Central Huijin Investment Limited	Interest of controlled corporation	211,850,000 (1)	57.26%
China Construction Bank Corporation	Interest of controlled corporation	211,850,000 (1)	57.26%
Maple Reach	Beneficial owner	211,850,000 (1)	57.26%
He Si Xing	Interest of controlled corporation	105,550,000 (2)	28.53%
Well Bright	Beneficial owner	105,550,000	28.53%
Hu Kai	Interest of controlled corporation	73,900,000 (3)	19.97%
Victor Charm Investments Limited	Beneficial owner	73,900,000	19.97%

Notes:

1. These shares comprise (i) 105,550,000 shares, 73,900,000 shares and 7,400,000 shares charged in favor of Maple Reach by Well Bright, Victor Charm Investments Limited and other independent shareholders, respectively; and (ii) 25,000,000 underlying shares which would be issued upon the exercise of the subscription rights attaching to the warrants issued by the Company to Maple Reach. Maple Reach is an indirect wholly-owned subsidiary of China Construction Bank Corporation ("**CCB**") (stock code: 939), the shares of which are listed on the main board of the Stock Exchange. CCB is owned as to 57.22% by Central Huijin Investment Limited ("**Huijin**"). Accordingly, Huijin was deemed to be interested in the shares in which CCB and Maple Reach were interested by virtue of the SFO.

2. Mr. He Si Xing beneficially owned 50% of Well Bright and Well Bright held 105,550,000 shares of the Company as at 30 June 2013. Therefore, Mr. He Si Xing is deemed to be interested in all the shares of the Company held by Well Bright.

3. Mr. Hu Kai beneficially owned 100% of Victor Charm Investments Limited. Therefore, Mr. Hu Kai is deemed to be interested in all the shares of the Company held by Victor Charm Investments Limited.

Save as disclosed above, as at 30 June 2013, the Directors are not aware of any persons (who were not Directors or chief executive of the Company) who had an interest or short positions in the shares or underlying shares of the Company which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein.

Changes in Information of Directors

Pursuant to the disclosure requirements under Rule 13.51B(1) of the Listing Rules, the changes in information of the Directors for the six months ended 30 June 2013 and up to the date of this interim report are set out below:

Name of Director	Details of changes
Mr. Cai Shuiping	Resigned as executive Director with effect 14 February 2013
Mr. Zhou Wei	Appointed as independent non-executive Director with effect from 17 June 2013
Ms. Tian Guangmei	Appointed as independent non-executive Director with effect from 17 June 2013
Mr. Liu Jianlin	Resigned as independent non-executive Director with effect from 19 June 2013
Mr. Cai Shuiyong	Resigned as chairman and chief executive officer of the Company with effect from 21 June 2013 and 2 July 2013, respectively
Mr. Lei Zuliang	Appointed as chairman of the Company with effect from 21 June 2013
Ms. Chan Ling	Resigned as independent non-executive Director with effect from 24 June 2013

Save as disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

Interim Dividend

The Directors do not recommend the payment of interim dividend for the six months ended 30 June 2013 (For six months ended 30 June 2012: nil).

Purchase, Sale or Redemption of Listed Securities of the Company

Save as the warrants issued as disclosed in the paragraph headed "Capital Structure" above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any listed shares of the Company during the six months ended 30 June 2013.

Share Option Scheme (the "Scheme")

The Scheme was approved and adopted pursuant to a written resolution of all the shareholders on 15 September 2009 (the "**Adoption Date**").

The purpose of the Scheme is to attract and retain the best available personnel, to provide additional incentive to employees (full-time and part-time), directors, consultants, advisers, distributors, contractors, suppliers, agents, customers, business partners or service providers of our Group and to promote the success of the business of our Group.

The Board may, at its absolute discretion and on such terms as it may think fit, grant any employee (full-time or part-time), Director, consultant or adviser of the Group, or any substantial shareholder of the Group, or any distributor, contractor, supplier, agent, customer, business partner or service provider of the Group, options to subscribe for the shares as it may determine in accordance with the terms of the Scheme.

The basis of eligibility of any participant to the grant of any option shall be determined by the Board (or as the case may be, the independent non-executive Directors) from time to time on the basis of his contribution or potential contribution to the development and growth of the Group.

The Company shall be entitled to issue options, provided that the total number of the shares which may be allotted and issued upon exercise of all outstanding options to be granted under the Scheme of the Company shall not exceed 10% of the aggregate shares in issue at the date when the shares were first listed on the Stock Exchange, which is 370,000,000 shares. As of 30 June 2013, 37,000,000 shares were available for issue under the Scheme, which represented 10% of the then issued share capital. The Company may at any time refresh this 10% limit, subject to compliance with the Listing Rules and obtaining the approval of the shareholders in general meeting, provided that the total number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme does not exceed the 30% of the shares in issue from time to time.

Unless approved by the shareholders of the Company, the total number of shares issued and to be issued upon exercise of options granted to any participant (including both exercised and outstanding options) under the Scheme, in any 12-month period up to the date of grant shall not exceed 1% of the issued share capital of the Company for the time being.

An offer for the grant of options must be accepted within seven days inclusive of the day on which such offer was made. The amount payable by the grantee of an option to the Company on acceptance of the offer for the grant of an option is HK$1.00.

At the time of the grant of the options, the Company will specify the minimum period for which an option must be held before it can be exercised. The period within which the option must be exercised will be specified by the Company at the time of grant. Such period must expire no later than 10 years from the relevant date of grant (being the date of which the Board resolves to make an offer of options to the relevant grantee).

The subscription price of a share in respect of any particular option granted under the Scheme shall be a price solely determined by the Board and notified to a participant and shall be at least the higher of: (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of offer of an option to a participant, which must be a trading day (i.e. any day on which the Stock Exchange is open for business of dealing in securities); (ii) the average of the closing prices of the shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of offer of an option to a participant; and (iii) the nominal value of a share on the date of offer of an option to a participant, provided always that for the purpose of calculating the subscription price, where the Company has been listed on the Main Board for less than five trading days, the new issue price shall be used as the closing price for any trading day falling within the period before listing.

The Scheme will remain in force for a period of ten years commencing on the date on the Adoption Date and shall expire at the close of business on the business day immediately preceding the tenth anniversary thereof unless terminated earlier by the shareholders in general meeting.

The Group did not grant any share options during the review period.

Material Acquisition and Disposal of Subsidiaries and Associated Companies

Save for the acquisition of China Timbers as discussed in the section of "Significant investments held and material acquisitions and disposals", the Group did not have any material acquisition or disposal of subsidiaries or associated companies during the six months ended 30 June 2013.

Compliance with the Code on Corporate Governance Practice

The Company has adopted all the code provisions (the "**Code Provisions**") contained in the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 to the Listing Rules as the Company's code on corporate governance. Throughout the six months ended 30 June 2013, except for Code Provisions A.1.8 and A.2.1 as addressed below, the Company complied with all the Code Provisions contained in the CG Code and, where appropriate, adopted the Recommended Best Practices set out in the CG Code:

1. Pursuant to the Code Provision A.1.8, the Company should arrange appropriate insurance cover in respect of any legal action against its Directors and officers. As at the date of this report, the Company has yet to arrange to purchase any Directors and Officers' Liability Insurance, which covers in respect of legal action against the Directors and officers. While the Company is committed to achieving high standards of corporate governance and to complying with the Code Provisions, the Company decided to defer the compliance with such Code Provision as the Board is currently considering quotations from different underwriters and will select the Directors and Officer's Liability Insurance that is the most cost-efficient; and

2. During the six months ended 30 June 2013, Mr. Cai Shuiyong, who is an executive Director, acted as chief executive officer and chairman of the Company. The assumption of both positions by Mr. Cai Shuiyong did not comply with Code Provision A.2.1, which requires that the roles of chairman and chief executive officer should not be performed by the same individual. Mr. Lei Zuliang took over the role of chairman on 21 June 2013 and the Company has complied with Code Provision A.2.1 since then.

The Company periodically reviews its corporate governance practices to ensure they continue to meet the requirements of the Code Provisions contained in the CG Code.

Code of Conduct regarding Securities Transactions by Directors

The Company has adopted a code of conduct regarding securities transactions by the Directors on terms no less exacting than the required standards set out in the Model Code to the Listing Rules. Having made specific enquiry of all Directors, all of them confirmed that they have complied with the required standards set out in the Model Code and the code of conduct regarding securities transactions by the Directors adopted by the Company for the six months ended 30 June 2013.

Audit Committee and Review of Interim Results

The Company has established the Audit Committee in accordance with the requirements of the Code Provisions as set up in Appendix 14 of the Listing Rules. As at the date of this report, the Audit Committee comprises three independent non-executive Directors, namely Mr. Zhou Wei (as the chairman), Mr. Long Weihua and Ms. Tian Guangmei.

The Audit Committee focuses not only on the impact of the changes in accounting policies and practices but also on the compliance with accounting standards, the Listing Rules and the legal requirements in the review of the Company's interim and annual reports.

The Audit Committee has reviewed the unaudited interim results of the Group for the six months ended 30 June 2013 and is of the opinion that the preparation of such results complied with the applicable accounting standards, rules and requirements, and that adequate disclosure has been made.

On behalf of the Board
Jiangchen International Holdings Limited
Lei Zuliang
Chairman

Shenzhen, the PRC, 30 August 2013

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2013

	Notes	Six months ended 30 June 2013 RMB'000 (unaudited)	2012 RMB'000 (unaudited)
Turnover	4	**25,079**	49,509
Cost of sales		**(25,647)**	(49,984)
Gross loss		**(568)**	(475)
Change in fair value of plantation forest assets	12	**(38)**	–
Other operating income		**10**	88
Change in fair value of derivative financial assets	18	**(861)**	–
Gain on bargain purchase for acquisition of subsidiaries	21	**43,606**	–
Selling and distribution costs		**(258)**	(546)
Administrative expenses		**(4,829)**	(950)
Finance costs	6	**(18,318)**	(318)
Profit (loss) before tax	7	**18,744**	(2,201)
Income tax expense	8	**–**	–
Profit (loss) for the period		**18,744**	(2,201)
Other comprehensive income:			
Items that may be subsequently reclassified to profit or loss:			
Exchange difference on translation of financial statements of foreign operations		**3,717**	–
Other comprehensive income for the period		**3,717**	–
Total comprehensive income (expense) for the period		**22,461**	(2,201)
Profit (loss) for the period attributable to owners of the Company		**18,744**	(2,201)
Total comprehensive income (expense) for the period attributable to owners of the Company		**22,461**	(2,201)
Earnings (loss) per share:	10		
Basic		**0.051**	(0.006)
Diluted		**0.050**	(0.006)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2013

	Notes	**30 June 2013 RMB'000 (unaudited)**	31 December 2012 RMB'000 (audited)
Non-current assets			
Property, plant and equipment	11	**4,117**	4,356
Prepaid lease payments		**10,911**	3,148
Plantation forest assets	12	**243,087**	19,195
		258,115	26,699
Current assets			
Inventories		**9,195**	2,961
Trade and other receivables	13	**63,662**	34,989
Prepaid lease payments		**268**	63
Derivative financial assets	18	**1,281**	2,184
Tax recoverable		**6**	232
Bank balances and cash		**28,358**	26,198
		102,770	66,627
Current liabilities			
Trade and other payables	14	**4,510**	5,479
Amount due to a former controlling shareholder	15	**1,353**	1,385
Promissory notes	17	**26,118**	–
		31,981	6,864
Net current assets		**70,789**	59,763
Total assets less current liabilities		**328,904**	86,462
Non-current liabilities			
Promissory notes	17	**219,244**	–
Convertible bonds	18	**13,153**	12,594
		232,397	12,594
Net assets		**96,507**	73,868
Capital and reserves			
Share capital	19	**3,256**	3,256
Reserves		**93,251**	70,612
Total equity attributable to owners of the Company		**96,507**	73,868

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2013

	Attributable to owners of the Company									
	Share capital RMB'000	**Share premium** RMB'000	**Capital reserve** RMB'000	**Statutory reserve** RMB'000	**Convertible bonds equity reserve** RMB'000 (note 18)	**Warrants equity reserve** RMB'000 (note 16)	**Translation reserve** RMB'000	**Other reserve** RMB'000	**Retained earnings** RMB'000	**Total** RMB'000
At 1 January 2012 (audited)	3,256	10,642	10	5,943	–	–	–	18,038	43,533	81,422
Total comprehensive expense for the period	–	–	–	–	–	–	–	–	(2,201)	(2,201)
At 30 June 2012 (unaudited)	3,256	10,642	10	5,943	–	–	–	18,038	41,332	79,221
Loss for the period	–	–	–	–	–	–	–	–	(17,836)	(17,836)
Other comprehensive income for the period	–	–	–	–	–	–	39	–	–	39
Total comprehensive income (expense) for the period	–	–	–	–	–	–	39	–	(17,836)	(17,797)
Recognition of equity component of convertible bonds	–	–	–	–	12,444	–	–	–	–	12,444
At 31 December 2012 and at 1 January 2013 (audited)	3,256	10,642	10	5,943	12,444	–	39	18,038	23,496	73,868
Profit for the period	–	–	–	–	–	–	–	–	18,744	18,744
Other comprehensive income for the period	–	–	–	–	–	–	3,717	–	–	3,717
Total comprehensive income for the period	–	–	–	–	–	–	3,717	–	18,744	22,461
Issuance of warrants	–	–	–	–	–	178	–	–	–	178
At 30 June 2013 (unaudited)	3,256	10,642	10	5,943	12,444	178	3,756	18,038	42,240	96,507

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2013

	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Net cash (used in) from operating activities	**(40,744)**	7,030
Net cash (used in) from investing activities	**(109,811)**	86
Net cash from (used in) financing activities	**153,799**	(10,318)
Net increase (decrease) in cash and cash equivalents	**3,244**	(3,202)
Cash and cash equivalents at 1 January	**26,198**	32,868
Effect of foreign exchange rate changes	**(1,084)**	–
Cash and cash equivalents at 30 June, representing bank balances and cash	**28,358**	29,666

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2013

1. GENERAL INFORMATION

Jiangchen International Holdings Limited (the "Company") is a public limited company incorporated in the Cayman Islands and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Company and its subsidiaries (collectively referred to as the "Group") are principally engaged in the manufacturing and wholesaling of apparels, forestry management and investment holding.

The directors of the Company consider that Well Bright Group Limited ("Well Bright"), a company incorporated in the British Virgin Islands ("BVI") with limited liability, is the parent company and Mr. Cai Shuiyong ("Mr. Cai SY") and Mr. Cai Shuiping ("Mr. Cai SP") were the ultimate controlling shareholders during the six months ended 30 June 2012.

During the six months ended 30 June 2013, Well Bright disposed of 73,900,000 shares in total representing 19.97% issued share capital of the Company, to Victor Charm Investments Limited ("Victor Charm"), a company incorporated in the BVI and beneficially owned by Mr. Hu Kai. Both of Victor Charm and Mr. Hu Kai are considered as independent third parties to the Company. Moreover, Mr. Cai SY and Mr. Cai SP have disposed of entire interest in Well Bright to certain individuals who are independent third parties to the Company. Upon completion of the disposals, the directors of the Company consider the Company has no parent company and ultimate controlling shareholder.

The Company's functional currency is Hong Kong dollars ("HK$") while that for the major subsidiaries in the People's Republic of China (the "PRC") is Renminbi ("RMB"). As the operation of the Group is mainly held in the PRC, the directors of the Company consider that it is appropriate to present the condensed consolidated interim financial information in RMB.

2. BASIS OF PREPARATION

The condensed consolidated interim financial information has been prepared in accordance with Hong Kong Accounting Standard 34 ("HKAS 34") *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange.

3. PRINCIPAL ACCOUNTING POLICIES

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

Except as described below, the accounting policies and methods of computation used in the condensed consolidated interim financial information for the six months ended 30 June 2013 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2012.

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

In the current interim period, the Group has applied, for the first time, the following new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA:

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009 – 2011 Cycle
Amendments to HKFRS 1	First-time Adoption of HKFRSs – Government Loans
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income
HKAS 19 (as revised in 2011)	Employee Benefits
HKAS 27 (as revised in 2011)	Separate Financial Statements
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures
HK(IFRIC)* – Interpretation 20	Stripping Costs in the Production Phase of a Surface Mine

* HK(IFRIC) represents the Hong Kong (International Financial Reporting Interpretation Committee)

Except for the below, the directors of the Company anticipate that the application of the above new or revised HKFRSs in the current interim period has no material effect on the amounts reported in the condensed consolidated interim financial information and/or on the disclosures set out in the condensed consolidated interim financial information.

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 introduce new terminology for statement of comprehensive income and income statement. Under the amendments to HKAS 1, a statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income and an income statement is renamed as a statement of profit or loss. The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the existing option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes.

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

HKFRS 13 Fair Value Measurement

The Group has applied HKFRS 13 for the first time in the current interim period. HKFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements, and replaces those requirements previously included in various HKFRSs. Consequential amendments have been made to HKAS 34 to require certain disclosures to be made in the interim condensed consolidated financial statements.

The scope of HKFRS 13 is broad, and applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, subject to a few exceptions. HKFRS 13 contains a new definition for 'fair value' and defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under HKFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, HKFRS 13 includes extensive disclosure requirements.

In accordance with the transitional provisions of HKFRS 13, the Group has applied the new fair value measurement and disclosure requirements prospectively. Disclosures of fair value information are set out in note 20.

Amendments to HKAS 34 Interim Financial Reporting (as part of the Annual Improvements to HKFRSs 2009-2011 Cycle)

The Group has applied the amendments to HKAS 34 Interim Financial Reporting as part of the Annual Improvements to HKFRSs 2009 – 2011 Cycle for the first time in the current interim period. The amendments to HKAS 34 clarify that the total assets and total liabilities for a particular reportable segment would be separately disclosed in the interim financial statements only when the amounts are regularly provided to the chief operating decision maker and there has been a material change from the amounts disclosed in the last annual financial statements for that reportable segment.

4. TURNOVER

Turnover represents the net amounts received and receivable for goods sold in the normal course of business, net of discounts and sales related taxes.

5. SEGMENT INFORMATION

The following is an analysis of the Group's revenue and results by reportable and operating segments:

Six months ended 30 June 2013

	Manufacturing and wholesaling of original equipment manufacturing (the "OEM") products RMB'000 (unaudited)	Brand business RMB'000 (unaudited)	Forestry business RMB'000 (unaudited)	Total RMB'000 (unaudited)
Turnover	**22,910**	**2,169**	**–**	**25,079**
Segment loss	**(804)**	**(621)**	**(384)**	**(1,809)**
Other operating income				**10**
Change in fair value of derivative financial assets				**(861)**
Gain on bargain purchase for acquisition of subsidiaries				**43,606**
Central administrative costs				**(3,884)**
Finance costs				**(18,318)**
Profit before tax				**18,744**

Six months ended 30 June 2012

	Manufacturing and wholesaling of OEM products RMB'000 (unaudited)	Brand business RMB'000 (unaudited)	Total RMB'000 (unaudited)
Turnover	38,402	11,107	49,509
Segment loss	(1,116)	(408)	(1,524)
Other operating income			88
Central administrative costs			(447)
Finance costs			(318)
Loss before tax			(2,201)

5. SEGMENT INFORMATION (CONTINUED)

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

	30 June 2013 RMB'000 (unaudited)	31 December 2012 RMB'000 (audited)
Segment assets		
Manufacturing and wholesaling of OEM products	**52,338**	37,723
Brand business	**13,968**	5,606
Forestry business	**252,613**	20,679
Total segment assets	**318,919**	64,008
Unallocated	**41,966**	29,318
Total assets	**360,885**	93,326
Segment liabilities		
Manufacturing and wholesaling of OEM products	**3,939**	5,090
Brand business	**157**	141
Forestry business	**214**	35
Total segment liabilities	**4,310**	5,266
Unallocated	**260,068**	14,192
Total liabilities	**264,378**	19,458

6. FINANCE COSTS

	Six months ended 30 June	
	2013 RMB'000 (unaudited)	2012 RMB'000 (unaudited)
Interest on secured bank borrowing wholly repayable within one year	**–**	318
Effective interest expenses on:		
Promissory notes (note 17)	**17,456**	–
Convertible bonds (note 18)	**862**	–
	18,318	318

7. PROFIT (LOSS) BEFORE TAX

	Six months ended 30 June 2013 RMB'000 (unaudited)	2012 RMB'000 (unaudited)
Profit (loss) before tax has been arrived at after charging (crediting):		
Directors' emoluments	**101**	95
Other staff costs	**5,445**	7,591
Retirement benefits scheme contributions, excluding directors	**2,074**	3,693
Total staff costs	**7,620**	11,379
Amortisation of prepaid lease payments	**22**	80
Cost of inventories recognised	**25,647**	49,984
Depreciation of property, plant and equipment	**284**	643
Net exchange loss (gain)	**282**	(2)
Operating lease rental paid in respect of rented premises	**476**	44
Research and development costs recognised as an expense (included in the administrative expenses) (Note)	**99**	141

Note: During the six months ended 30 June 2013, research and development costs included staff costs of approximately RMB93,000 (2012: RMB91,000) for the Group's employees engaged in research and development activities, which are also included in staff costs.

8. INCOME TAX EXPENSE

	Six months ended 30 June 2013 RMB'000 (unaudited)	2012 RMB'000 (unaudited)
Current tax		
– the PRC Enterprise Income Tax	**–**	–

Hong Kong Profits Tax has not been provided for in the condensed consolidated interim financial information as there was no assessable profit derived from Hong Kong for both periods.

Pursuant to the laws and regulations of the Cayman Islands and BVI, the Group is not subject to any income tax in the Cayman Islands and BVI.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both periods.

Pursuant to the relevant laws and regulations in the PRC, certain subsidiaries are exempted from PRC Enterprise Income Tax for two years starting from their first profit-making year, followed by a 50% reduction for the next three years (the "Tax Exemption"). The PRC subsidiaries which are currently entitled to the Tax Exemption from 1 January 2008 would continue to enjoy such treatments until the Tax Exemption period expires, but not beyond 2012.

As at 30 June 2013, the Group had unrecognised tax losses of approximately RMB6,286,000 (as at 31 December 2012: RMB4,157,000), which can be carried forward to offset future taxable profit and will expire after five years. No deferred tax asset had been recognised in respect of the unrecognised tax loss of RMB6,286,000 (as at 31 December 2012: RMB4,157,000) owing to the unpredictability of future profit streams.

8. INCOME TAX EXPENSE (CONTINUED)

Under the EIT Law of the PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the condensed consolidated interim financial information in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to approximately RMB56,860,000 (31 December 2012: approximately RMB58,887,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

9. DIVIDEND

No dividends were paid, declared or proposed during the interim period. The directors of the Company do not recommend the payment of an interim dividend for the six months ended 30 June 2013 (six months ended 30 June 2012: nil).

10. EARNINGS (LOSS) PER SHARE

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

Earnings (loss) figures are calculated as follows:

	For the six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Earnings (loss)		
Earnings (loss) for the purpose of basic earnings (loss) per share for the period attributable to the owners of the Company	**18,744**	(2,201)
Effect of dilutive potential ordinary shares:		
Change in fair value of derivative financial assets	**861**	–
Effective interest expense on convertible bonds	**862**	–
Earnings (loss) for the purpose of diluted earnings (loss) per share	**20,467**	(2,201)

	2013	2012
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings (loss) per share	**370,000**	370,000
Effect of dilutive potential ordinary shares:		
– Warrants	**11,489**	–
– Convertible bonds	**26,296**	–
Weighted average number of ordinary shares for the purpose of diluted earnings (loss) per share	**407,785**	370,000

Notes:

(a) The computation of diluted earnings per share for the six months ended 30 June 2013 assumes the exercise/conversion of the Company's outstanding warrants set out in note 16 and convertible bonds set out in note 18 since their exercise/conversion would result in an dilutive effect on the basic earnings per share for the six months ended 30 June 2013.

(b) The computation of diluted loss per share for the six months ended 30 June 2012 does not assume the conversion of the Company's outstanding convertible bonds set out in note 18 since the conversion of the Company's convertible bonds has an anti-dilutive effect to the loss per share.

11. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2013, the Group spent approximately RMB5,000 (six months ended 30 June 2012: nil) on acquisition of property, plant and equipment.

During the six months ended 30 June 2013, the Group had additions of property, plant and equipment approximately RMB40,000 from acquisition of subsidiaries.

In addition, the Group did not dispose of any property, plant and equipment during the six months ended 30 June 2013 and 2012.

12. MOVEMENTS IN PLANTATION FOREST ASSETS

	Yunnan Forest RMB'000	**Sichuan Forest** RMB'000	**Total** RMB'000
At 1 January 2012 (audited)	–	–	–
Acquisition of assets on an acquisition of subsidiaries	17,396	–	17,396
Change in fair value less costs to sell	1,799	–	1,799
At 31 December 2012 and at 1 January 2013 (audited)	19,195	–	19,195
Acquisition of subsidiaries (note 21)	–	223,930	223,930
Changes in fair value less costs to sell	(38)	–	(38)
At 30 June 2013 (unaudited)	19,157	223,930	243,087

Yunnan Forest

During the year ended 31 December 2012, the Group acquired Rongxuan Forestry Investment Holdings Limited ("Rongxuan") and its subsidiaries (collectively referred to as the "Rongxuan Group") which principally holds plantation forest assets ("Yunnan Forest") in Dali, Yunnan Province in the PRC which had a total leasehold land base of approximately 3,530 Chinese Mu (equivalent to approximately of 235 hectares). All of the forestry ownership certificates for the plantation forest assets were obtained. The Group conducted various activities including working on a program for assessing the species mix and forest volume of the forests with Ascent Partners Valuation Service Limited ("Ascent Partners"), an independent qualified professional valuer, in Dali. As at 30 June 2013, the plantation forest assets in Dali represent standing timber acquired, planted and managed by the Group and comprise approximately 142 hectares of pine trees and 93 hectares of oak trees. There are approximately 118 hectares of tree plantations with age 40 years or older. The details of the key assumptions used in the valuation are set out below.

The discount rate used in the valuation of the plantation forest assets in the PRC as at 11 July 2012 (the date of acquisition of Rongxuan Group), 31 December 2012 and 30 June 2013 was determined by reference to discount rates published by public entities and government agencies in the PRC, weighted average cost of capital analysis, internal rate of return analysis, surveyed opinion of forest valuers practice and the implied discount rate of forest sales transactions mainly in the PRC over a period of time, with more weight given to the implied discount rate.

12. MOVEMENTS IN PLANTATION FOREST ASSETS (CONTINUED)

Yunnan Forest (Continued)

The principal valuation methodology and assumptions adopted are as follows:

- The logging permit will be granted by the relevant government authorities.
- The forest are managed on a sustainable basis and sufficient logging quota will be continuously granted by the relevant government authorities.
- The cash flows are those arising from the current rotation of trees only. No account was taken of revenue or costs from re-establishment following harvest, or of land not yet planted.
- The impact of any planned future activity of the business that may impact the pricing of the logs harvested from the forest is not taken into account.
- Costs have been derived from external sources and discussion with the staff of the Group. The costs are current average costs. No allowance has been made for cost improvements in future operations.
- Prices have been derived from independent market information and not prices actually received by the Group.
- Cash flow project is determined for a period of 5 years up to 2018 (31 December 2012: 2017) with the first year of logging activities taken to be from April 2014 (31 December 2012: April 2013). The management have assumed that the logging volume during the forest period is 3,000 (31 December 2012: 3,000) cubic meters in the first year, 5,000 (31 December 2012: 5,000) cubic meters in the second year, 8,000 (31 December 2012: 8,000) cubic meters in the third year, 10,000 (31 December 2012: 10,000) cubic meters in the fourth year and 9,431 (31 December 2012: 7,424) cubic meters in the last year based on the current best estimated harvesting plan. As at the date of this report, the Group has not obtained the logging permits yet.
- The directors of the Company have assumed that the average increment in log sales prices is 6.66% (31 December 2012: 7.29%) per annum, which is in line with the long-term producer price index of forestry product. The increment in logging, transportation and maintenance and other costs relating to the logging activities and forestry management is 2.99% (31 December 2012: 3.07%) per annum for the forest period.
- The inflation rate on other operating cost is 2.99% (31 December 2012: 3.07%) per annum.
- The biological growth rates of pine and oak are 5.73% and 4.78% (31 December 2012: 5.00% and 3.50%) respectively.

12. MOVEMENTS IN PLANTATION FOREST ASSETS (CONTINUED)

Sichuan Forest

During the six months ended 30 June 2013, the Group acquired China Timbers Limited ("China Timbers") and its subsidiaries (collectively referred to as the "China Timbers Group") which principally engaged in the operation and management of the forest lands in Jiange Country, Sichuan Province which had a total leasehold land base of approximately 20,000 Chinese Mu. All of the forestry ownership certificates for the plantation forest assets were obtained. The Group conducted various activities including working on a program for assessing the species mix and forest volume of the forests with Ascent Partners in Jiange. As at 30 June 2013, the plantation forest assets in Jiange represent standing timber acquired, planted and managed by the Group and comprise approximately 1,440 hectares of Cypress. There are approximately 21,786 hectares of tree plantations with age 40 years or older. The details of the key assumptions used in the valuation are set out below.

The principal valuation methodology and assumptions adopted are as follows:

- The logging permit will be granted by the relevant government authorities.
- The forests are managed on a sustainable basis and sufficient logging quota will be continuously granted by the relevant government authorities.
- The cash flows are those arising from the current rotation of trees only. No account was taken of revenue or costs from re-establishment following harvest, or of land not yet planted.
- The impact of any planned future activity of the business that may impact the pricing of the logs harvested from the forest is not taken into account.
- Costs have been derived from external sources and discussion with the staff of the Group. The costs are current average costs. No allowance has been made for cost improvements in future operations.
- Prices have been derived from independent market information and not prices actually received by the Group.
- Cash flow project is determined for a period of approximately 7 years up to 2019 with the first year of logging activities taken to be from September 2013. The management have assumed that the logging volume during the forest period is 25,000 cubic meters in the first year, 40,000 cubic meters in the second year, 50,000 cubic meters in the third year, 60,000 cubic meters in the fourth to sixth year and 40,517 cubic meters in the last year based on the current best estimated harvesting plan. As at the date of this report, the Group has obtained the logging permits.
- The directors of the Company have assumed that the average increment in log sales prices is 6.66% per annum, which is in line with the long-term producer price index of forestry product. The increment in logging, transportation and maintenance and other costs relating to the logging activities and forestry management is 2.99% per annum for the forest period.
- The inflation rate on other operating cost is 2.99% per annum.
- The biological growth rate of Cypress is 5.43%.

12. MOVEMENTS IN PLANTATION FOREST ASSETS (CONTINUED)

The Group's plantation forest assets are regarded as biological assets which are measured at fair value less costs to sell at the date of acquisition and the end of each reporting period in accordance with HKAS 41 "Agriculture". These assets were independently valued by Ascent Partners as at 11 July 2012 (the date of acquisition of Rongxuan Group), 31 December 2012, 28 May 2013 (the date of acquisition of China Timbers Group) and 30 June 2013. Ascent Partners has applied the net present value approach whereby projected future net cash flows, based on their assessments of current timber log prices, were discounted at the pre-tax discount rate of 16.70% (31 December 2012: 16.18%) for Yunnan Forest and 16.59% for Sichuan Forest, to arrive at the fair value of the plantation forest assets. The change in fair value less cost to sell was due to the changes in price of the forest assets. No material physical changes were noted during the year on the forest assets.

The PRC government strictly implements a quota system for the quantities of forest wood to be logged annually and accordingly, such limited quota is competed vigorously among the numerous forestry operators. Without the approved logging permits, the Group will not be able to start operations for revenue generation in the forestry segment.

At 30 June 2013, the Group was pending approval of the logging permits for Yunnan Forest. In the opinion of the directors of the Company, the absence of logging permit does not impair their value to the Group as the Group has legally obtained ownership title to the forestry assets, is qualified to make the relevant application and have already filed its application properly according to the relevant legal procedures. At 30 June 2013, the Group has already obtained the logging permits for Sichuan Forest. The Group was allowed to harvest not more than 80,000 m^3 Cypress until 20 December 2013. During the six months ended 30 June 2013, the Group did not harvest any timber log.

The Group is exposed to a number of risks related to its plantation forest assets:

Regulatory and environmental risks

The Group is subject to laws and regulations in Yunnan and Sichuan in which it operates. The Group has established environmental policies and procedures aimed at compliance with local environmental and other laws. Management performs regular reviews to identify environmental risks and to ensure that the systems in place are adequate to manage those risks.

Climate and other risks

The State Council of the PRC manages the country's harvesting activities by imposing annual logging quotas which are determined by the local forestry authorities. Other than the above-mentioned quotas, the Group's revenue also depends significantly on the ability to harvest wood at adequate levels. The ability to harvest wood and the growth of the trees in the forests may be affected by unfavourable local weather conditions and natural disasters. The Group's standing timbers is exposed to the risk of damage from climatic changes, diseases, forest fires and other natural forces. The Group has extensive processes in place aimed at monitoring and mitigating those risks, including regular forest health inspections and industry pest and disease surveys.

Supply and demand risk

The Group is exposed to risks arising from fluctuations in the price and sales volume of timber. When possible the Group manages this risk by aligning its harvest volume to market supply and demand. Management performs regular industry trend analyses to ensure that the Group's pricing structure is in line with the market and to ensure that projected harvest volumes are consistent with the expected demand.

13. TRADE AND OTHER RECEIVABLES

The Group generally allows an average credit period of 90 to 180 days to its trade customers, where payment in advance is normally required. The Group does not hold any collateral over these balances.

The following is an analysis of the trade receivables by age, presented based on the invoice date at the end of the reporting period, which approximated the revenue recognition date.

	30 June 2013 RMB'000 (unaudited)	31 December 2012 RMB'000 (audited)
0-90 days	**19,038**	10,180
91-180 days	**8,528**	4,068
Over 180 days	**2,217**	–
	29,783	14,248

14. TRADE AND OTHER PAYABLES

The following is an analysis of the trade payables by age, presented based on the invoice date at the end of the reporting period.

	30 June 2013 RMB'000 (unaudited)	31 December 2012 RMB'000 (audited)
0-30 days	**–**	257
31-90 days	**–**	465
	–	722

15. AMOUNT DUE TO A FORMER CONTROLLING SHAREHOLDER

The amount is unsecured, non-interest bearing and repayable on demand. The individual ceased to be a controlling shareholder during the six months ended 30 June 2013 upon disposal of his equity interest in Well Bright as detail stated in note 1.

16. WARRANTS

	30 June 2013 RMB'000 (unaudited)	31 December 2012 RMB'000 (audited)
Warrants	**178**	–

On 28 March 2013, the Company issued and the subscribers subscribed for an aggregate of 22,000,000 warrants at the issue price of HK$0.01 per warrant, pursuant to which the subscribers of the warrants will be entitled to subscribe for up to 22,000,000 new shares at the initial subscription price of HK$0.99 per new share for a period of 3 years commencing from (and inclusive of) the date of issue of the warrants. Each warrant carries the right to subscriber for one new share.

17. PROMISSORY NOTES

The movements of the Group's promissory notes for the six months ended 30 June 2013 are set out below:

	Promissory Note A RMB'000 (unaudited)	Promissory Note B RMB'000 (unaudited)	Total RMB'000 (unaudited)
Issue of promissory notes during the period	154,369	78,793	233,162
Transaction cost attributable to issue of promissory notes	(716)	–	(716)
Effective interest expenses (note 6)	15,335	2,121	17,456
Exchange realignment	(3,311)	(1,229)	(4,540)
	165,677	79,685	245,362
Less: Amount due within one year show under current liabilities	(22,680)	(3,438)	(26,118)
Amounts shown under non-current liabilities	142,997	76,247	219,244

The Promissory Note A issued to Maple Reach Limited ("Maple Reach") on 8 January 2013 will be matured in two years and had principal value of HK$190,000,000 (equivalent to approximately RMB154,369,000) and carrying value of approximately HK$208,189,000 (equivalent to approximately RMB165,677,000) as at 30 June 2013. It bears interest at 15% per annum on a 365 days per year basis and to be paid on a semiannual basis. The Promissory Note A is also redeemable after 6 months from the issue date with written notification from the Company to the investor. Redemption premium amounting to HK$26,610,000 (equivalent to approximately RMB21,061,000) will be paid upon redemption of the promissory notes. The Promissory Note A were measured at amortised cost, using the effective interest rates at 10.64%. The directors of the Company determined that no value has been assigned for the redemption options of the Company as it is considered to be insignificant in value. The proceeds from issuing this secured promissory note was used for acquiring the subsidiaries as described in note 21. This secured promissory note was secured by pledging of various assets of the Group, details of which are set out in note 22. The redemption premium was subsequently settled as described in note 26(a).

The Promissory Note B was issued on 28 May 2013 with principal value of HK$144,000,000 (equivalent to approximately RMB116,379,000) and carrying value of approximately HK$100,131,000 (equivalent to approximately RMB79,685,000) as at 30 June 2013. The rate of interest on the outstanding principal of these promissory notes for the first two years from the issue date shall be 3% per annum and the rate of interest on the then outstanding principal of Promissory Note B is from the date immediately after the date falling on the second anniversary of the issue date to and including the maturity date which is 28 May 2018 shall be 8% per annum. The Company may redeem whole or part of the Promissory Note B at any time without premium and penalty. The Promissory Note B were measured at amortised cost, using the effective interest rates at 14.96%. The directors of the Company determined that no value has been assigned for the redemption options of the Company as it is considered to be insignificant in value. This unsecured promissory note was issued to the vendor of the subsidiaries acquired during the period as described in note 21 to satisfy part of the consideration.

18. CONVERTIBLE BONDS

On 11 July 2012, the Company issued HK$ settled unsecured zero coupon callable convertible bonds in the principal amount of HK$21,300,000 ("CB") (equivalent to approximately RMB17,330,000) with maturity on 11 July 2015 to an independent third party for the acquisition of Rongxuan Group.

The principal terms of the CB are as follows:

Conversion rights

The holders of the CB are entitled to convert any part of the principal amount into new ordinary shares of the Company at a conversion price of HK$0.81 each from six months from the issue date up to the third anniversary of the date of issue of the CB.

Redemption at the option of the Company

The Company may at any time before the maturity date by serving at least 10 days' prior written notice on all of the CB holders with total amount to be redeemed specified therein, redeem the CB at 103% to the principal amount of the CB to be redeemed. Any amount of the CB which is redeemed by the Company will forthwith be cancelled.

Redemption at maturity

Unless previously redeemed, converted, or purchased and cancelled, the CB will be redeemed on 11 July 2015 at 103% to the principal amount of the CB to be redeemed.

No conversion or redemption had taken place since the issue of the CB. As at 30 June 2013 and 31 December 2012, the whole amount of CB was outstanding.

As the functional currency of the Company is the HK$, the conversion of the CB will be settled by exchange of a fixed amount of cash in HK$ with a fixed number of the Company's equity instruments. In accordance with the requirements of HKAS 39 *Financial Instruments – Recognition and Measurement*, the CB contract needs to be separated into a liability component consisting of the straight debt element of the CB, a number of embedded financial derivatives consisting of redemption options, and an equity component representing the conversion options of the bondholders to convert the CB into equity. The proceeds received from the issue of the CB have been split as follows:

(i) Liability component represents the fair value of the contractually determined stream of cash flows discounted at the prevailing market interest rate applicable to instruments of comparable credit status and providing substantially the same cash flows, on the same terms, but without the embedded derivatives and the conversion features. The interest charged for the period is calculated by applying an effective interest rate of 14.99% to the liability component since the CB were issued.

(ii) Embedded derivatives comprise the fair value of the Company's redemption options.

(iii) Equity component represents the conversion options, which is determined by deducting the fair value of the liability component and financial derivatives from the fair value of assets acquired by issuance of the compound financial instrument as a whole.

18. CONVERTIBLE BONDS (CONTINUED)

The fair value of convertible bonds has been arrived at based on a valuation carried out by Ascent Partners. The fair value of the liability component of the CB was calculated using the discounted cash flow model. The major inputs used in the model as at 11 July 2012 were as follows:

	Liability component of the Company
Principal	HK$21,300,000
Coupon rate	0%
Risk-free rate	0.224%
Effective interest rate	14.99%
Expected life	3 years

The fair values of the early redemption option derivative component of CB at the day of issue and at the end of the reporting period were calculated using binomial option pricing model. Major parameters adopted in the calculation of fair value are recognised below:

	30 June 2013	31 December 2012	11 July 2012
Stock price	**HK$1.46**	HK$0.99	HK$1.20
Exercise price	**HK$0.81**	HK$0.81	HK$0.81
Risk-free rate	**0.346%**	0.118%	0.224%
Expected life	**2.03 years**	2.53 years	3 years
Volatility	**64.75%**	63.17%	100.29%

Any changes in the major inputs used in the model will result in changes in the fair value of the liability and derivative components. The variables and assumptions used in calculating the fair value of the liability and derivative component are based on the Company's directors' best estimates.

The movements of the liability and derivative components of the above-mentioned convertible bonds for the period are set out below:

	Liability component RMB'000	**Derivative component** RMB'000	**Equity component** RMB'000	**Total** RMB'000
At 30 June 2012 (unaudited)	–	–	–	–
On the date of issuance of CB:				
– Principal amount of CB	11,751	(5,312)	10,891	17,330
– Fair value difference between net assets acquired and consideration paid include in convertible bonds equity reserves	–	–	1,553	1,553
Exchange realignment	8	–	–	8
Change in fair value of derivative financial assets	–	3,128	–	3,128
Effective interest expense	835	–	–	835
At 31 December 2012 and at 1 January 2013 (audited)	12,594	(2,184)	12,444	22,854
Exchange realignment	(303)	42	–	(261)
Change in fair value of derivative financial assets	–	861	–	861
Interest paid				
Effective interest expense (note 6)	862	–	–	862
At 30 June 2013 (unaudited)	13,153	(1,281)	12,444	24,316

19. SHARE CAPITAL

	Par value HK$	Number of ordinary shares '000	Nominal value of ordinary shares HK$'000
Authorised:			
At 1 January 2012 (audited), 31 December 2012 (audited) and 30 June 2013 (unaudited)	0.01	1,000,000	10,000

	Par value	Number of ordinary shares	Nominal value of ordinary shares	
	HK$	'000	HK$'000	RMB'000
Issued and fully paid:				
At 1 January 2012 (audited), 31 December 2012 (audited) and 30 June 2013 (unaudited)	0.01	370,000	3,700	3,256

20. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Fair value of the Group's financial assets that are measured at fair value on a recurring basis

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

– Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;

– Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

– Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

20. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (CONTINUED)

Financial assets	Fair value as at 30/6/2013 RMB'000	Fair value as at 31/12/2012 RMB'000	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Derivative component of convertible bonds classified as financial assets through profit or loss	**1,281**	2,184	Level 3	Binomial option pricing model Key inputs: Stock price, exercise price, discount rate, expected life and volatility	N/A	N/A

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the condensed consolidated interim financial information approximate their fair values.

21. ACQUISITION OF SUBSIDIARIES

On 28 May 2013, the Group acquired the entire interest in China Timbers which is principally engaged in the operation and management of the forest lands in Jiange Country, Sichuan Province.

Consideration transferred	RMB'000
Cash	109,914
Promissory Note B (note 17)	78,793
	188,707

Acquisition-related costs amounting to approximately RMB880,000 have been excluded from the cost of acquisition and have been recognised directly as an expense in the period and included in the 'administrative expenses' line item in the condensed consolidated statement of profit or loss and other comprehensive income.

Assets and liabilities recognised at the date of acquisition

	RMB'000 (unaudited)
Current assets	
Trade and other receivables	266
Prepaid lease payments	205
Bank balances and cash	100
Non-current assets	
Property, plant and equipment	40
Prepaid lease payments	7,785
Plantation forest assets	223,930
Current liabilities	
Trade and other payables	(13)
	232,313

21. ACQUISITION OF SUBSIDIARIES (CONTINUED)

Bargain purchase gain arising on acquisition

	RMB'000 (unaudited)
Consideration transferred	188,707
Less: recognised amount of identifiable net assets acquired	(232,313)
Bargain purchase gain arising on acquisition	(43,606)

Net cash outflow arising on acquisition

	RMB'000 (unaudited)
Consideration paid in cash	109,914
Less: cash and cash equivalent balances acquired	(100)
	109,814

Impact of acquisition on the results of the Group

Included in the profit for the interim period is loss of RMB133,543 attributable to China Timbers Group. None of the turnover for the interim period is attributable to China Timbers Group.

Had the acquisition of China Timbers Group been effected at the beginning of the interim period, the total amount of revenue of the Group for the six months ended 30 June 2013 would have been RMB25,079,000, and the amount of the profit for the interim period would have been RMB18,025,000. The proforma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed at the beginning of the interim period, nor is it intended to be a projection of future results.

In determining the 'pro-forma' revenue and profit of the Group had China Timbers Group been acquired at the beginning of the interim period, the directors calculated depreciation and amortisation of plant and equipment based on the recognised amounts of plant and equipment at the date of the acquisition.

22. PLEDGE OF ASSETS

The Group had pledged certain of its buildings and prepaid lease payments to secure banking facilities granted to the Group at the end of the reporting period. The carrying values of the assets pledged are as follows:

	30 June 2013 RMB'000 (unaudited)	31 December 2012 RMB'000 (audited)
Buildings	**–**	1,403
Prepaid lease payments	**–**	1,081
	–	2,484

Upon the issuance of Promissory Note A to Maple Reach as described in note 17, it was secured by the (i) 179,450,000 shares owned by Well Bright, (ii) an additional 7,400,000 shares of the Company owned by other independent shareholders and (iii) the Company's entire equity interest of all subsidiaries under the Rongxuan Group. As at 30 June 2013, it was also secured by the Company's entire equity interest of all subsidiaries under the China Timbers Group. During the six months ended 30 June 2013, Well Bright has disposed 73,900,000 shares in total to Victor Charm as described in note 1. The disposed shares remain to be pledged to Maple Reach as at 30 June 2013.

23. SHARE OPTION SCHEME

The Company's share option scheme (the "Scheme") was adopted pursuant to a written resolution passed on 15 September 2009 for the primary purpose of providing incentives and rewards to directors and eligible participants. Since the Scheme has been adopted, no share option has been granted, exercised or cancelled by the Company. As at 30 June 2013, there were no outstanding share options under the Scheme (31 December 2012: nil).

24. COMMITMENTS

Commitments under operating leases

The Group leases certain of its office premises and production plants under operating lease arrangements with leases negotiated for an average term of 1 to 3 years (31 December 2012: 1 to 3 years) and rentals are fixed over the lease term.

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

	30 June 2013 RMB'000 (unaudited)	31 December 2012 RMB'000 (audited)
Within one year	**1,870**	212
In the second to fifth year inclusive	**3,680**	322
	5,550	534

As at 30 June 2013, included in the above is commitment under non-cancellable operating leases of approximately RMB48,000 (31 December 2012: RMB62,000) which will expire in 2014 payable to Mr. Tsoi Kam On, the brother of Mr. Cai SY.

Capital Commitments

As at 31 December 2012, the Group has capital expenditure in respect of the acquisition of a subsidiary authorised but not contracted for amounted to approximately RMB229,133,000 (30 June 2013: nil).

25. RELATED PARTY TRANSACTIONS

(a) During the period, the Group entered into the following transaction with related party:

	Six months ended 30 June	
	2013 RMB'000 (unaudited)	2012 RMB'000 (unaudited)
Mr. Tsoi Kam On (Note)		
– rental expense incurred	**14**	14

Note: Mr. Tsoi Kam On is the brother of Mr. Cai Shuiyong, the director of the Company.

(b) The remuneration of directors and other members of key management during the period were as follows:

	Six months ended 30 June	
	2013 RMB'000 (unaudited)	2012 RMB'000 (unaudited)
Salaries and other allowances	**153**	163
Retirement benefits scheme contributions	**7**	16
	160	179

26. EVENTS AFTER THE END OF THE REPORTING PERIOD

a) The Company had entered into a subscription agreement for secured Promissory Note A in the amount of HK$190,000,000 as stated in note 17. On 16 May 2013, the Company, Maple Reach, Well Bright and China Construction Bank (Asia) Corporation Limited, entered into the supplemental deed to include certain terms of the subscription agreement. Under the terms of the subscription agreement, the Company is required to pay the redemption premium in cash to Maple Reach for investing in the promissory notes. Subsequently, the parties to the subscription agreement have agreed to amend the terms of the subscription agreement, to the effect that Maple Reach will be granted the warrants to be convertible into 25,000,000 shares. Under the supplemental deed, Maple Reach has the option to elect for the exercise of the warrants, which would result in them forgoing the cash settlement option of the redemption premium. As a result, the redemption premium would have been deemed to be used towards the payment of the warrant exercise price to the Company upon exercise of the warrants whereby such application would be full and final settlement for the redemption premium by the Company.

The completion of the issue of warrants has taken place and an aggregate of 25,000,000 warrants were issued by the Company to Maple Reach on 5 July 2013.

b) All issued convertible bonds with principal amount of HK$21,300,000 as described in note 18 were subsequently converted into 26,296,296 ordinary shares at conversion price HK$0.81 on 16 July 2013.

c) On 5 July 2013, the Company announced the proposal of change of Company's name from "Jiangchen International Holdings Limited 江晨國際控股有限公司" to "China Agroforestry Low-Carbon Holdings Limited 中國農林低碳控股有限公司" which was approved by special resolution in extraordinary general meeting on 29 July 2013. Approval from the Registrar of Companies in the Cayman Islands was obtained on 2 August 2013. The change of the Company name will take effect upon the registration of the new name of the Company in Hong Kong under Part XI of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong).

d) The Company redeemed part of the Promissory Note B at a cash consideration of HK$25,000,000 on 5 July 2013.