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 2012

CONTENTS

CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Mr. Cai Shuiyong *(Chairman)*
Mr. Cai Shuiping
Mr. Lei Zuliang (Appointed on 1 August 2012)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Long Weihua (Appointed on 19 March 2012)
Ms. Chan Ling
Mr. Liu Jianlin
Mr. Shen Guoquan (Resigned on 19 March 2012)

AUDIT COMMITTEE

Mr. Liu Jianlin *(Chairman)*
Mr. Long Weihua (Appointed on 19 March 2012)
Mr. Shen Guoquan (Resigned on 19 March 2012)
Ms. Chan Ling

REMUNERATION COMMITTEE

Ms. Chan Ling *(Chairman)*
Mr. Cai Shuiyong
Mr. Long Weihua (Appointed on 19 March 2012)
Mr. Shen Guoquan (Resigned on 19 March 2012)

NOMINATION COMMITTEE

Ms. Chan Ling *(Chairman)*
Mr. Cai Shuiyong
Mr. Long Weihua (Appointed on 19 March 2012)
Mr. Shen Guoquan (Resigned on 19 March 2012)

COMPLIANCE OFFICER

Mr. Cai Shuiyong

COMPANY SECRETARY

Mr. Kwong Ping Man *CPA, ACIS, ACS*

AUTHORIZED REPRESENTATIVES

Mr. Cai Shuiyong
Mr. Kwong Ping Man

AUDITORS

SHINEWING (HK) CPA Limited
Certified Public Accountants

REGISTERED OFFICE

Clifton House
75 Fort Street
PO Box 1350
Grand Cayman
KY1-1108
Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suites 2001-2005, 20th Floor
Jardine House
1 Connaught Place
Central
Hong Kong

HEAD OFFICE IN THE PEOPLE'S REPUBLIC OF CHINA

Level 4, No. 20
Zheng Da Street
Wannian County
Jianxi Province
The PRC

CAYMAN ISLANDS SHARE REGISTRAR AND TRANSFER OFFICE

Appleby Trust (Cayman) Limited
Clifton House
75 Fort Street
PO Box 1350
Grand Cayman
KY1-1108
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
26th Floor, Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

PRINCIPAL BANKER

Bank of China, Wannian Branch
Wannian County
Jiangxi Province
The PRC

COMPANY WEBSITE

www.jcholding.com

STOCK CODE

1069

FINANCIAL HIGHLIGHTS

- Turnover for the six months ended 30 June 2012 amounting to approximately RMB49.5 million (for the six months ended 2011: approximately RMB103.8 million), representing a decrease of approximately 52.3% as compared with corresponding period in 2011.

- Loss and total comprehensive expenses attributable to owners of the Company for the six months ended 30 June 2012 amounted to approximately RMB2.2 million (Profit and total comprehensive income attributable to the owners of the Company for the six months ended 30 June 2011: approximately RMB11.9 million), representing a decrease of approximately 118.5% as compared with corresponding period in 2011.

- Basic and diluted loss per share for the six months ended 30 June 2012 amounted to RMB0.006 (Basic and diluted earnings per share for the six months ended 30 June 2011: RMB0.032).

- The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2012 (Six months ended 30 June 2011: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Jiangchen International Holdings Limited (the "**Company**") and its subsidiaries (hereinafter collectively referred to as the "**Group**") are principally engaged in the manufacturing and wholesaling of apparels on an original equipment manufacturing ("**OEM**") basis in the People's Republic of China ("**China**" or the "**PRC**"). The apparels produced by the Group can be broadly categorized into cotton and sweat jacket, sportswear and leisurewear, trousers and children garment.

During the six months ended 30 June 2012, the Group's core business was still manufacturing and wholesaling of OEM basis apparels. The PRC market remained the most important market segment of the Group, accounting for over 90% of the Group's total turnover. As at 30 June 2012, apart from its established export channels, the Company has a domestic distribution network consisting of two self-owned stores, six franchise shops and forty distribution outlets across Jiangxi province, Hunan province, Fujian province and Guangxi province for the sales and marketing of its own design products.

Garment manufacturing business in China during the six months ended 30 June 2012 remained difficult and challenging. The global financial markets were adversely influenced by the European sovereign debt crisis. Furthermore, factories in China faced the continuous tough period from escalating manufacturing costs, lacking of skilled sewing workers and strong competition from overseas. As a result, the business of the Group was adversely affected.

Financial Review

Turnover

During the period under review, the Company recorded a turnover of approximately RMB49.5 million for the six months ended 30 June 2012, an approximately 52.3% decrease as compared to RMB103.8 million for the six months ended 30 June 2011. Profit and total comprehensive income attributable to shareholders of the Company (the "**Shareholders**") decreased by approximately 118.5% from RMB11.9 million for the six months ended 30 June 2011 to a loss of RMB2.2 million for the six months ended 30 June 2012.

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 2012 was RMB38.4 million (For the six months ended 30 June 2011: RMB84.5 million), which is approximately 54.6% decrease than that for the corresponding period in 2011.

The Company also distributes its own brand apparels to local chain stores, its franchise stores and through its wholesale outlets in China. The turnover of the distribution of Company's brand apparels for the six months ended 30 June 2012 was approximately RMB11.1 million (For the six months ended 30 June 2011: approximately RMB19.3 million), which is approximately 42.5% lower than that for the corresponding period in 2011.

In term of production mode, turnover of OEM products represented approximately 77.6% of the total turnover (For the six months ended 30 June 2011: approximately 81.4%) while turnover of the brand products accounted for approximately 22.4% (For the six months ended 30 June 2011: approximately 18.6%).

Gross Profit/Loss and Gross Margin

The Group achieved a gross loss of approximately RMB0.5 million for the six months ended 30 June 2012 (2011: gross profit of approximately RMB16.0 million), representing a decrease of approximately 103.1% as compared to that for the corresponding period in 2011. Gross margin is calculated as gross profit/loss divided by turnover. The gross margin was approximately -1% (2011: approximately 15.4%). The decrease in gross margin in 2012 was mainly attributable to (i) the lower demands of the Group's products from its import and export customers, which resulted in the significant decrease in the sales; and (ii) the escalating manufacturing costs.

Selling and Distribution Costs

The selling and distribution costs have been decreased from approximately RMB0.63 million for the six months ended 30 June 2011 to approximately RMB0.55 million for the six months ended 30 June 2012, representing a decrease of approximately 12.7%. The decrease in selling and distribution costs was mainly attributable to the reduced amount of transportation costs as a result of the decrease in the sales amount.

Administrative Expenses

The administrative expenses of the Company have been decreased by approximately 52.5% from approximately RMB2.0 million for the six months ended 30 June 2011 to approximately RMB0.95 million for the six months ended 30 June 2012. The significant decrease in administrative expenses was mainly attributable to the reduced amount of salaries and professional fees, as well as one-off payment for the application of transfer of listing of the Company's shares (the "**Shares**") from the Growth Enterprise Market to the Main Board of the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") incurred for the six months ended 30 June 2011.

Income Tax Expense

Pursuant to the relevant laws and regulations in the PRC, the Group's PRC subsidiaries are exempted from PRC Enterprise Income Tax (the "**EIT**") for the two years starting from their first profit-making year, followed by a 50% tax concession for the next three years. As the Group's PRC operating subsidiaries have been profit-making or deem to be profit-making since 1 January 2008, they are exempted from the EIT from 1 January 2008 to 31 December 2009 and are entitled to a 50% tax concession from 1 January 2010 to 31 December 2012. The effective tax rate of the Group for the six months ended 30 June 2012 is zero as the Group is suffering a loss (For the six months ended 30 June 2011: 10.2%).

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

As a results of the above changes, the profit and total comprehensive income attributable to owners of the Company decreased by approximately 118.5% from a profit of approximately RMB11.9 million for the six months ended 30 June 2011 to a loss of approximately RMB2.2 million for the six months ended 30 June 2012.

Basic and Diluted Earnings/Loss per Share

Basic and diluted loss per share for the six months ended 30 June 2012 amounted to RMB0.006 (The basic and diluted earnings per Share of 2011: RMB0.032), representing a decrease of approximately 118.8% as compared with corresponding period in 2011.

Liquidity and Financial Resources

The Group generally finances its daily operations from internally generated cash flows. As at 30 June 2012, the Group had total assets of approximately RMB88.2 million and net assets of approximately RMB79.2 million. The Group's cash and bank balances as at 30 June 2012 amounted to approximately RMB29.7 million and there were no secured bank borrowings.

On 22 May 2012, in order to provide additional general working capital to finance the Group's existing projects in the PRC and future corporate and acquisition exercise, the Company entered into a placing agreement with an independent placing agent, pursuant to which the placing agent will procure independent places to subscribe for the convertible bonds to be issued by the Company with an aggregate principal amount of HK$38.6 million. Aside from the placing agreement, no definitive agreement has been entered by the Company as of the date of this report.

Taking into account the cash reserves and the net proceeds from the placing of convertible bonds, the Group's financial position is healthy, positioning the Group advantageously to achieve its business objectives.

Pledge on Assets

As at 30 June 2012, 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 2012 RMB'000	31 December 2011 RMB'000
Buildings	**9,959**	10,228
Prepaid lease payments	**6,334**	6,405
	16,293	16,633

Contingent Liabilities

As at 30 June 2012 and 31 December 2011, the Group did not have any significant contingent liabilities.

Foreign Exchange Exposure

The Group's transactions are mainly denominated in Hong Kong dollars and Renminbi. Therefore, the Group is exposed to exchange risk. The Group has not implemented any foreign currency hedging policy at the moment. However, continuous monitoring on the foreign exchange exposure is carried out by the management and the management will consider hedging the foreign exchange exposure if it is significant to the Group.

Gearing Ratio

The gearing ratio of the Group, based on total borrowings to the equity (including all capital and reserves) of the Group, was zero as the Group had no borrowings as at 30 June 2012 (31 December 2011: 12.3%).

Capital Structure

The capital of the Group comprises only ordinary shares. As at 30 June 2012, the total number of the ordinary shares of the Group in issue was 370,000,000 shares (31 December 2011: 370,000,000). The total equity attributable to the owners of the Company was approximately RMB79.2 million (31 December 2011: approximately RMB81.4 million).

On 11 July 2012, the Company has issued convertible bonds with principal amount of HK$21.3 million as the consideration of the acquisition of 100% interest in Rongxuan Forestry Investment Holdings Limited ("**Rongxuan**").

Convertible Notes

Zero coupon convertible bonds in the principal amount of HK$21.3 million at the conversion price of HK$0.81 which can be converted to 26,296,296 Shares was issued to Ms. Huang Dongxiu as the consideration for the acquisition of Rongxuan. The details are discussed under the section of "Material Acquisition and Disposal of Subsidiaries and Associated Companies" below.

Capital Commitments

Save as disclosed herein this report, as at 30 June 2012, the Group did not have any significant capital commitment (2011: nil).

Significant investment held and material acquisition and disposal

Details of the acquisition of Rongxuan were disclosed in announcement dated on 21 May 2012, and the acquisition of Rongxuan has been completed on 11 July 2012.

On 27 July 2012, the Company has entered into an agreement to dispose 100% of the equity interest in Jiangxi Hongfeng Textile Company Limited for a consideration of RMB13.8 million. The disposal has yet completed as of the date of this report. Details of the disposal have been set out in the Company's announcement dated 27 July 2012.

Save for those disclosed herein, there were no significant investment held, material acquisition or disposals of subsidiaries for the six months ended 30 June 2012.

Future Plans for Material Investments or Capital Assets

The Group intends to explore the investment opportunities to order to improve the return to the Shareholders. As at the date of this report, the Group has not entered into any legally binding agreement or arrangement with respect to any investment opportunities except those disclosed in the relevant public announcement and this report.

Employees and Remuneration Policies

As at 30 June 2012, the Group employed 1,095 employees, as compared to 1,096 employees as 31 December 2011, including Directors. Total staff costs for the period under review, including Directors' remuneration, amounted to approximately RMB11.4 million (2011: approximately RMB17.4 million). The Group's remuneration policies are in line with the prevailing market standards and are determined on the basis of performance and experience of individual employee. Other employee benefits include contributions to social insurance scheme.

Outlook

Given the current unstable and uncertain global economic conditions resulting for the sovereign debt crisis in the Eurozone, the weak economic growth of some developed countries, the fluctuation of the price of raw materials and the rise of the statutory minimum wages in the PRC, the gross margin of the Group's operation in the first half of 2012 was adversely affected and thus recorded a gross loss. The Group is expecting a very challenging second half of 2012. Stagnancy in Europe, sluggish growth in developed countries, slowdown in the economy of the PRC will therefore expect to hamper the economic recovery pace and make the global financial market bumpy. Accordingly, 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 on the sales of the Group. Owing to such adverse conditions, the Group will restructure its garment business.

In the absence of a foreseeable robust growth in the short-term, cautions will prevail and probably further discourage spending, hiring and investments in all levels. In the near term, the Company is not able to see the chance of a swift upturn for the garment business segment. In such circumstances, the Company is seeking for new business opportunities. Apart from the continuous development of the garment business, as disclosed in the announcement dated 21 May 2012, the Company has entered into the sales and purchase agreement regarding to the acquisition of Rongxuan, in which its wholly-owned subsidiary is principally engaged in the operation and management of the forest lands in Dali, Yunnan Province, with a total site are of approximately 3,530 Chinese Mu. The Company is steadily changing the focus of business nature of the Group to the ecological forestry business. The acquisition of Rongxuan has been completed on 11 July 2012. The Group is optimistic about the prospect of ecological forestry business in the PRC as China has emerged as the world's largest wood-based panel producer and consumer. As a result, the growing demand of the wood panel and related products is anticipated in the long-run. The Company will continue to explore opportunities through merger and acquisitions of forest land resources and timber resources, and capitalize on business opportunities to achieve steady and sustainable growth with a view to generate more satisfactory returns to its shareholders. Furthermore, with the implementations of the projects regarding the development of forestry according to the "Twelfth-Five Years Plan" by the PRC government, the Group's ecological forestry business development will be able to enjoy more business opportunities accordingly.

OTHER 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 2012, the interests and short positions of the Directors and chief executives of the Company in any shares, underlying shares and debentures 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 pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") were as follows:

(i) *Long position in shares of the Company*

	Number of ordinary shares				Percentage
Name of Director	**Personal interests**	**Family interests**	**Corporate interests**	**Total**	**of issued share capital**
Mr. Cai Shuiyong	–	–	186,850,000[1]	186,850,000	50.5%
Mr. Cai Shuiping	–	–	186,850,000[1]	186,850,000	50.5%

Note:

1. These shares are owned by Well Bright Group Limited ("Well Bright") which is owned 50% by Mr. Cai Shuiyong and 50% by Mr. Cai Shuiping. Therefore, each of Mr. Cai Shuiyong and Mr. Cai Shuiping is deemed to be interested in 186,850,000 shares held by Well Bright Group Limited under the SFO.

(ii) *Long position in ordinary shares of associated corporation*

Name of Director	Name of associated corporation	Capacity/ Nature	Number of securities held	Percentage of shareholding
Mr. Cai Shuiyong	Well Bright	Beneficial owner	1	50 %
Mr. Cai Shuiping	Well Bright	Beneficial owner	1	50 %

Save as disclosed above, as at 30 June 2012, none of the Directors or chief executives of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would be required to be notified to the Company and the Stock Exchange 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 would be required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

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

As at 30 June 2012, 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 share option 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
Well Bright	Beneficial owner	186,850,000	50.5%
Ms. Cai Shuyan	Interest of spouse	186,850,000[(1)]	50.5%
Ms. Sun Meige	Interest of spouse	186,850,000[(2)]	50.5%

Notes:

1. Mr. Cai Shuiyong beneficially owned 50% of Well Bright and Well Bright held 186,850,000 shares of the Company. Ms. Cai Shuyan is the spouse of Mr. Cai Shuiyong. Therefore, Ms. Cai Shuyan is deemed to be interested in all shares of the Company held by Mr. Cai Shuiyong.

2. Mr. Cai Shuiping beneficially owned 50% of Well Bright and Well Bright held 186,850,000 shares of the Company. Ms. Sun Meige is the spouse of Mr. Cai Shuiping. Therefore, Ms. Sun Meige is deemed to be interest in all shares of the Company held by Mr. Cai Shuiping.

Save as disclosed above, and as at 30 June 2012, the Directors of the Company were not aware of any persons (who were not Directors or chief executive of the Company) who had an interest or short position 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.

Interim Dividend

The Directors do not recommend the payment of an interim dividend for six months ended 30 June 2012 (2011: Nil) and there is no closure of the register of members accordingly.

Purchase, Sale or Redemption of Listed Securities of the Company

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 2012.

Share Option Scheme (the "Scheme")

The Scheme was approved and adopted pursuant to a written resolution of all the Shareholders of the Company 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 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 2012, 37,000,000 Shares were available for issue under the Scheme, which represented 10% of the 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 Scheme does not any such minimum period. The period within which he 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.

As at 30 June 2012, the Group has not granted any share options during the period review.

Material Acquisition and Disposal of Subsidiaries and Associated Companies

During the six months ended 30 June 2012, the Company had the following proposed acquisition of a subsidiary:

On 21 May 2012, the Company entered into a conditional sales and purchase agreement with Ms. Huang Dongxiu for the acquisition of the entire equity interest in Rongxuan at the consideration of HK$21.3 million to be satisfied by the issue of the convertible bonds by the Company.

Upon the completion of the acquisition, the Company will wholly-own Rongxuan, which in turn owns the entire equity interest in Dali Blue Ocean Forestry Company Limited (the "**Dali Blue Ocean**"). Dali Blue Ocean is principally engaged in the operation and management of the forest lands in Dali, Yunnan Province with a total site are of approximately 3,530 Chinese Mu.

The acquisition of Rongxuan has been completed on 11 July 2012.

On 27 July 2012, the Company has entered into an agreement to dispose 100% of the equity interest in Jiangxi Hongfeng Textile Company Limited for a consideration of RMB13.8 million. The disposal has yet completed as of the date of this report. Details of the disposal have been set out in the Company's announcement dated 27 July 2012.

Compliance with the Code on Corporate Governance Practice

The Company is committed to maintaining high standards of corporate governance to protect the interests of the shareholders of the Company. Except for the derivations from code provisions A.1.8 and A.2.1, the Company had complied with most of the code provisions as set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Main Board Listing Rules during the six months ended 30 June 2012. This report describes the corporate governance standards and practices used by the Company to direct and manage its business affairs.

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. Up to the date of this report, the Company has not arranged to purchase any Directors and Officers' Liability Insurance, which covers in respect of legal action against the Directors. While the Company is committed to achieving high standards of corporate governance and to complying with the code provisions, the Company decided to delay 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 with the most cost-efficient.

Pursuant to the code provision A.2.1, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing. Mr. Cai Shuiyong is appointed as the chairman and chief executive officer of the Company who is responsible for managing the Board and the Group's business. The Board considers that Mr. Cai Shuiyong has in-depth knowledge in the Group's business and can make appropriate decisions promptly and efficiently. Nevertheless, the Board will continue to review the effectiveness of the Group's corporate governance structure to assess whether the separation of the positions of chairman and chief executive officer of the Company is necessary.

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 standard set out in Appendix 10 to the Listing Rules. Having made specific enquiry of all Directors, all Directors confirmed that they have complied with the required standard set out in the Model Code and the code of conduct regarding securities transactions by the Directors adopted by the Company since the Company's listing.

Nomination Committee

The Company has established a nomination committee (the "**Nomination Committee**") in accordance with the corporate governance requirements of listed companies of the Stock Exchange. The purpose of this Nomination Committee is to identify and nominate suitable candidates for the appointment of the Directors and making recommendations to the Board on succession planning for the Directors.

Remuneration Committee

The Company has established a remuneration committee (the "**Remuneration Committee**") in accordance with the corporate governance requirements of listed companies of the Stock Exchange. The purposes of this Remuneration Committee is to review and determine the terms of remuneration packages, bonuses and other compensation payable to our Directors and senior management and to make recommendation to our Board on our Group's policy and structure for all remuneration of our Directors and senior management.

Audit Committee

The Company has established the audit committee (the "**Audit Committee**") in accordance with the requirements of the Code on Corporate Governance Practice as set up in Appendix 14 of the Listing Rules. As at the date of this report, the Audit Committee of the Company comprises three non-executive directors, namely Mr. Liu Jianlin (as the chairman of the Audit Committee), Mr. Long Weihua and Ms. Chan Ling. The Audit Committee of the Company has reviewed with the management of the Company the accounting principles and practices adopted by the Group and discussed the auditing, internal control and financial reporting matters including the review of the audited interim financial statements and the interim report of the Group for the six months ended June 30 2012 before submitting to the Board for approval. The Audit Committee was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosure have been made.

Changed to Information in respect of Directors

For the six months ended 30 June 2012 and up to the date of this report, pursuant to Rule 13.51B(1) of the Listing Rules, the changes in information on Directors are as follows:-

Since 19 March 2012, the composition of the Board has undergone the following changes:

1. Mr. Shen Guoquan resigned as independent non-executive Director with effect from 19 March 2012;

2. Mr. Long Weihua appointed as independent non-executive Director with effect from 19 March 2012.

Details of which please refer to the announcement of the Company dated 19 March 2012.

Disclosure of Information

This interim report of the Group will be duly despatached to shareholders and published on the websites of the Stock Exchange (http://www.hkexnews.hk) and the Company (www.jcholding.com) in due course.

On behalf of the Board
Jiangchen International Holdings Limited
Cai Shuiyong
Chairman and Executive Director

Jiangxi Province, The PRC, 10 August 2012

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 30 June 2012

		Six months ended 30 June	
		2012	2011
		RMB'000	RMB'000
	Notes	**(Unaudited)**	(Unaudited)
Turnover	4	**49,509**	103,779
Cost of sales		**(49,984)**	(87,816)
Gross (loss) profit		**(475)**	15,963
Other operating income		**88**	35
Selling and distribution costs		**(546)**	(632)
Administrative expenses		**(950)**	(2,046)
Finance costs	6	**(318)**	(99)
(Loss) profit before tax	7	**(2,201)**	13,221
Income tax expense	8	**–**	(1,352)
(Loss) profit and total comprehensive (expenses) income attributable to owners of the Company		**(2,201)**	11,869
(Loss) earnings per share (RMB):			
Basic and diluted	10	**(0.006)**	0.032

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2012

	Notes	**30 June 2012 RMB'000 (Unaudited)**	31 December 2011 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment	11	**14,707**	15,350
Prepaid lease payments		**7,002**	7,082
		21,709	22,432
Current assets			
Inventories		**8,264**	8,972
Trade and other receivables	12	**28,166**	32,516
Prepaid lease payments		**161**	161
Tax recoverable		**232**	232
Bank balances and cash		**29,666**	32,868
		66,489	74,749
Current liabilities			
Trade and other payables	13	**7,276**	4,608
Amount due to a controlling shareholder	14	**1,139**	589
Secured bank borrowings	15	**–**	10,000
Tax liabilities		**562**	562
		8,977	15,759
Net current assets		**57,512**	58,990
Net assets		**79,221**	81,422
Capital and reserves			
Share capital	16	**3,256**	3,256
Reserves		**75,965**	78,166
Total equity attributable to owners of the Company		**79,221**	81,422

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the six months ended 30 June 2012

	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	Statutory reserves RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Total RMB'000
At 1 January 2011 (audited)	3,256	10,642	10	5,256	18,038	43,809	81,011
Total comprehensive income for the period	–	–	–	–	–	11,869	11,869
At 30 June 2011 (unaudited)	3,256	10,642	10	5,256	18,038	55,678	92,880
Total comprehensive expenses for the period	–	–	–	–	–	(11,458)	(11,458)
Appropriation to reserves	–	–	–	687	–	(687)	–
At 31 December 2011 (audited)	3,256	10,642	10	5,943	18,038	43,533	81,422
Total comprehensive expenses 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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
For the six months ended 30 June 2012

	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Net cash generated from (used in) operating activities	**7,030**	(14,858)
Net cash generated from (used in) investing activities	**86**	(215)
Net cash (used in) generated from financing activities	**(10,318)**	7,901
Net decrease in cash and cash equivalents	**(3,202)**	(7,172)
Cash and cash equivalents at 1 January	**32,868**	26,044
Cash and cash equivalents at 30 June, representing bank balances and cash	**29,666**	18,872

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
For the six months ended 30 June 2012

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 and investment holding.

The directors of the Company consider that Well Bright Group Limited, 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") are the ultimate controlling shareholders.

The condensed consolidated interim financial information are presented in thousands of units of Renminbi ("RMB") which is also the functional currency of the Group.

2. BASIS OF PREPARATION

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

3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated interim financial information has been prepared on the historical cost basis.

The accounting policies and methods of computation used in the condensed consolidated interim financial information for the six months ended 30 June 2012 are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2011, except as described below.

In the current interim period, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting standards ("HKFRSs") issued by the HKICPA.

- amendments to HKFRS 7 Financial Instruments: Disclosures – Transfers of Financial Assets; and
- amendments to HKAS 12 Deferred Tax: Recovery of Underlying Assets.

The application of the above amendments to HKFRSs has had no material effect on the amounts reported in these condensed consolidated interim financial information and/or disclosures set out in the condensed consolidated interim financial information.

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 2012

	Manufacturing and wholesaling of original equipment manufacturing (the "OEM") products RMB'000 (Unaudited)	**Brand business RMB'000 (Unaudited)**	**Total RMB'000 (Unaudited)**
Revenue	**38,402**	**11,107**	**49,509**
Segment results	**(1,116)**	**(408)**	**(1,524)**
Other operating income			**88**
Central administrative costs			**(447)**
Finance costs			**(318)**
Loss before tax			**(2,201)**

Six months ended 30 June 2011

	Manufacturing and wholesaling of OEM products RMB'000 (Unaudited)	Brand business RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Revenue	84,523	19,256	103,779
Segment results	10,914	3,569	14,483
Other operating income			35
Central administrative costs			(1,198)
Finance costs			(99)
Profit before tax			13,221

5. SEGMENT INFORMATION (CONTINUED)

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

	30 June 2012 RMB'000 (Unaudited)	31 December 2011 RMB'000 (Audited)
Manufacturing and wholesaling of OEM products	**50,396**	54,236
Brand business	**7,813**	9,448
Total segment assets	**58,209**	63,684
Unallocated	**29,989**	33,497
Total assets	**88,198**	97,181

6. FINANCE COSTS

	Six months ended 30 June	
	2012 RMB'000 (Unaudited)	2011 RMB'000 (Unaudited)
Interest on bank borrowing wholly repayable within one year	**318**	99

7. (LOSS) PROFIT BEFORE TAX

	Six months ended 30 June	
	2012 RMB'000 (Unaudited)	2011 RMB'000 (Unaudited)
(Loss) profit before tax has been arrived at after charging (crediting):		
Directors' emoluments	**95**	89
Other staff costs	**7,591**	12,609
Retirement benefits scheme contributions, excluding directors	**3,693**	4,743
Total staff costs	**11,379**	17,441
Amortisation of prepaid lease payments	**80**	80
Cost of inventories recognised	**49,984**	87,816
Depreciation of property, plant and equipment	**643**	662
Net exchange (gain) loss	**(2)**	99
Operating lease rental paid in respect of rented premises	**44**	44
Research and development costs recognised as an expense (included in the administrative expenses) (Note)	**141**	145

Note: During the six months ended 30 June 2012, research and development costs included staff costs of approximately RMB91,000 (2011: RMB89,000) 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 2012 RMB'000 (Unaudited)	2011 RMB'000 (Unaudited)
Current tax		
– People's Republic of China (the "PRC") Enterprise Income Tax	–	1,352

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.

9. DIVIDEND

No dividends were paid, declared or proposed during the interim period. The directors have determined that no dividend will be paid in respect of the six months ended 30 June 2012 (six months ended 30 June 2011: nil).

10. (LOSS) EARNINGS PER SHARE

The calculation of basic and diluted (loss) earnings per share for the six months ended 30 June 2012 is based on the loss attributable to owners of the Company of approximately RMB2,201,000 (six months ended 30 June 2011: earnings of approximately RMB11,869,000) and the weighted average number of 370,000,000 ordinary shares in issue during the six months ended 30 June 2012 and 2011.

The dilutive (loss) earnings per share is the same as the basic (loss) earnings per share for the six months ended 30 June 2012 and 2011 as there were no dilutive potential ordinary shares outstanding during both periods.

11. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent nil (during the six months ended 30 June 2011: approximately RMB 250,000) on additions to property, plant and equipment in the PRC.

12. 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 following is an analysis of the trade receivables by age, presented based on the invoice date.

	30 June 2012 RMB'000 (Unaudited)	31 December 2011 RMB'000 (Audited)
0 – 90 days	**24,950**	25,521
91 – 180 days	**–**	1,450
	24,950	26,971

13. TRADE AND OTHER PAYABLES

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

	30 June 2012 RMB'000 (Unaudited)	31 December 2011 RMB'000 (Audited)
0-30 days	**5,415**	1,758

14. AMOUNT DUE TO A CONTROLLING SHAREHOLDER

The amount is unsecured, non-interest bearing and repayable on demand.

15. SECURED BANK BORROWINGS

For the six months ended 30 June 2011, the Group obtained a secured bank loan amounting to RMB10,000,000. The bank borrowing carried variable interest rate with reference to The People's Bank of China Prescribed Interest Rate with 15% mark up per annum for the period. The secured bank loan was settled during the six months ended 30 June 2012.

The bank borrowing was secured by certain assets of the Group as set out in Note 17. As at 30 June 2012, there were unutilised banking facilities of RMB15,000,000 (31 December 2011: RMB5,000,000).

16. SHARE CAPITAL

	Par Value HK$	Number of ordinary shares	Nominal value of ordinary shares HK$'000
Authorised:			
At 1 January 2011 (audited), 31 December 2011 (audited) and 30 June 2012 (unaudited)	0.01	1,000,000,000	10,000

	Par Value HK$	Number of ordinary shares	Nominal value of ordinary shares HK$'000	RMB'000
Issued and fully paid:				
At 1 January 2011 (audited), 31 December 2011 (audited) and 30 June 2012 (unaudited)	0.01	370,000,000	3,700	3,256

17. 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 2012 RMB'000 (Unaudited)	31 December 2011 RMB'000 (Audited)
Buildings	**9,959**	10,228
Prepaid lease payments	**6,334**	6,405
	16,293	16,633

18. 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 2012, there were no outstanding share options under the Scheme (31 December 2011: nil).

19. RELATED PARTY TRANSACTIONS

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

	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Mr. Tsoi Kam On (Note)		
– rental expense incurred	**14**	14

Note: Mr. Tsoi Kam On is the brother of Mr. Cai SY, the controlling shareholder and 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	
	2012	2011
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Salaries and other allowances	**163**	187
Retirement benefits scheme contributions	**16**	7
	179	194

20. EVENTS AFTER THE END OF THE REPORTING PERIOD

(i) Acquisition of subsidiary

On 21 May 2012, the Group entered into an agreement to acquire 100% equity interest in Rongxuan Forestry Investment Holdings Limited by issuing of convertible bonds in principal amount of HK$21,300,000 to the vendor. The acquisition was completed on 11 July 2012. Details of this acquisition had been set out in the Company's announcement dated 21 May 2012.

(ii) Disposal of a subsidiary

On 27 July 2012, the Group entered into an agreement to dispose of 100% equity interest in Jiangxi Hongfeng Textile Company Limited for a consideration of RMB13,800,000. Up to the date of approval of the condensed consolidated interim financial information, the disposal has not completed yet. Details of this disposal had been set out in the Company's announcement dated 27 July 2012.