SINO DRAGON NEW ENERGY HOLDINGS LIMITED
中國龍新能源控股有限公司*

(Incorporated in the Cayman Islands with limited liability)
(HKEX - Stock Code: 0395)

2013 Interim Report

* For identification purposes only

Corporate Information

Executive Directors
Mr. Yang Xin Min *(Chairman)*
Ms. Huang Yue Qin
Mr. Zhou Quan
Mr. Fang Guo Hong
(resigned on 8 April 2013)

Non-executive Director
Mr. Wang Jia Wei

Independent Non-executive Directors
Dr. Cheng Faat Ting Gary
Prof. Ji Chang Ming
Mr. Poon Lai Yin Michael

Audit Committee
Dr. Cheng Faat Ting Gary *(Chairman)*
Prof. Ji Chang Ming
Mr. Poon Lai Yin Michael

Remuneration Committee
Dr. Cheng Faat Ting Gary *(Chairman)*
Mr. Yang Xin Min
Prof. Ji Chang Ming

Nomination Committee
Dr. Cheng Faat Ting Gary *(Chairman)*
Prof. Ji Chang Ming
Mr. Poon Lai Yin Michael

Auditors
RSM Nelson Wheeler

Principal Bankers
Agricultural Bank of China
Bank of China
China Minsheng Bank
The Hong Kong and Shanghai Banking Corporation Limited

Legal Advisers
Conyers Dill & Pearman, Cayman
Li & Partners

Qualified Accountant and Company Secretary
Ms. Li Mei Kuen

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Principal Share Registrar

Royal Bank of Canada Trust
Company (Cayman) Limited
4th Floor, Royal Bank House
24 Shedden Road, George Town
Grand Cayman KY1-1110
Cayman Islands

Hong Kong Branch Share Registrar

Computershare Hong Kong
Investor Services Limited
Shops 1712-1716
17th Floor, Hopewell Centre
183 Queen's Road East
Wan Chai
Hong Kong

Canadian Branch Share Registrar

Computershare Investor Services Inc
100 University Ave., 9th Floor
Toronto, Ontario M5J 2Y1
Canada

Stock Name

Sino Dragon

Stock Code

HKEX: 0395

The Board of Directors (the "Board") of Sino Dragon New Energy Holdings Limited (the "Company") presented the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2013 together with the comparative figures. The condensed consolidated interim financial statements (the "Interim Financial Statements") have not been audited, but have been reviewed by the Company's Audit Committee.

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2013

		Unaudited	
		Six months ended 30 June	
		2013	2012
	Notes	***RMB'000***	*RMB'000*
Turnover	2	**47,977**	85,860
Cost of sales		**(45,803)**	(84,594)
Gross profit		**2,174**	1,266
Other income		**48**	61
Change in fair value of convertible bonds and derivative financial instruments	13	**1,329**	8,813
Selling expenses		**(1,416)**	(2,453)
Administrative expenses		**(12,016)**	(12,610)
Other operating expenses		**(103)**	(354)
Loss from operations		**(9,984)**	(5,277)
Net finance costs	3(a)	**249**	(5,344)
Loss before taxation	3	**(9,735)**	(10,621)
Income tax	4	**(418)**	—
Loss for the period		**(10,153)**	(10,621)

Condensed Consolidated Statement of Comprehensive Income *(Continued)*

For the six months ended 30 June 2013

		Unaudited	
		Six months ended 30 June	
		2013	2012
	Notes	***RMB'000***	*RMB'000*
Other comprehensive income for the period:			
Exchange differences on translating foreign operations		**275**	(621)
Total comprehensive income for the period		**(9,878)**	(11,242)
Attributable to:			
Owners of the Company		**(9,876)**	(11,245)
Non-controlling interests		**(2)**	3
		(9,878)	(11,242)
Dividends	5	**—**	—
Loss per share			
Basic *(RMB cents)*	6	**(0.41)**	(0.41)
Diluted *(RMB cents)*	6	**(0.40)**	(0.64)

Condensed Consolidated Statement of Financial Position

At 30 June 2013

	Notes	**Unaudited 30 June 2013 RMB'000**	Audited 31 December 2012 RMB'000
Non-current assets			
Property, plant and equipment	7	**127,368**	131,057
Construction in progress		**1,157**	248
Prepaid land lease payments		**66,480**	67,404
Intangible assets	8	**100,384**	102,958
Long-term prepayments		**926**	983
Deferred tax assets		**97,421**	97,421
Total non-current assets		**393,736**	400,071
Current assets			
Inventories		**40,739**	43,341
Prepaid land lease payments		**1,877**	1,877
Trade and other receivables	9	**871,973**	506,071
Current tax receivables		**—**	627
Due from a director	17(b)	**3,042**	3,870
Pledged bank deposits	10	**305,000**	445,000
Non-pledged bank deposits with more than three months to maturity		**38,000**	18,000
Bank and cash balances		**46,259**	20,364
Total current assets		**1,306,890**	1,039,150

Condensed Consolidated Statement of Financial Position *(Continued)*

At 30 June 2013

	Notes	Unaudited 30 June 2013 RMB'000	Audited 31 December 2012 RMB'000
Current liabilities			
Trade and other payables	12	**1,187,879**	910,390
Due to directors	17(c)	**2,107**	1,828
Due to related parties	17(d)	**4,138**	6,538
Bank loans		**40,000**	40,000
Current tax liabilities		**20,260**	24,141
Total current liabilities		**1,254,384**	982,897
Net current assets		**52,506**	56,253
Total assets less current liabilities		**446,242**	456,324
Non-current liabilities			
Derivative financial instruments	13	**270**	1,622
Convertible bonds	13	**39,928**	38,778
Deferred tax liabilities		**45,454**	45,454
Total non-current liabilities		**85,652**	85,854
NET ASSETS		**360,590**	370,470
Capital and reserves			
Share capital	15	**118,041**	118,041
Reserves		**242,553**	252,431
Equity attributable to Owners of the Company		**360,594**	370,472
Non-controlling interests		**(4)**	(2)
TOTAL EQUITY		**360,590**	370,470

Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2013

		Unaudited	
		Six months ended 30 June	
		2013	2012
	Notes	***RMB'000***	*RMB'000*
Net cash generated from/(used in) operating activities		**27,248**	(57,049)
Net cash generated from/(used in) investing activities		**2,999**	(314)
Net cash (used in)/generated from financing activities		**(3,634)**	14,206
Effects of exchange rate changes		**(718)**	(105)
Net increase/(decrease) in cash and cash equivalents		**25,895**	(43,262)
Cash and cash equivalents at 1 January		**20,364**	83,546
Cash and cash equivalents at 30 June	11	**46,259**	40,284

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2013

Unaudited — Six months ended 30 June 2013

	Share Capital RMB'000	Share Premium RMB'000	Statutory Reserves RMB'000	Share-based payment Reserve RMB'000	Foreign Currency Translation Reserve RMB'000	Amount receivable in respect of consideration shares issued at acquisition RMB'000	Accumulated Losses RMB'000	Merger Reserve RMB'000	Total RMB'000	Non-controlling Interest RMB'000	Total Equity RMB'000
At 1 January 2013	118,041	668,945	95,452	8,309	(2,556)	–	(506,634)	(11,085)	370,472	(2)	370,470
Lapse of share options granted in prior years	–	–	–	(6,415)	–	–	6,415	–	–	–	–
Loss for the period	–	–	–	–	–	–	(10,151)	–	(10,151)	(2)	(10,153)
Other comprehensive income for the period	–	–	–	–	275	–	–	–	275	–	275
Exchange alignment	–	–	–	–	(2)	–	–	–	(2)	–	(2)
At 30 June 2013	118,041	668,945	95,452	1,894	(2,283)	–	(510,370)	(11,085)	360,594	(4)	360,590

Unaudited — Six months ended 30 June 2012

	Share Capital RMB'000	Share Premium RMB'000	Statutory Reserves RMB'000	Share-based payment Reserve RMB'000	Foreign Currency Translation Reserve RMB'000	Amount receivable in respect of consideration shares issued at acquisition RMB'000	Accumulated Losses RMB'000	Merger Reserve RMB'000	Total RMB'000	Non-controlling Interest RMB'000	Total Equity RMB'000
At 1 January 2012	123,332	746,929	95,452	18,006	(2,859)	(83,275)	(315,969)	(11,085)	570,531	(4)	570,527
Lapse of share options granted in prior years	–	–	–	(1,475)	–	–	1,475	–	–	–	–
Loss for the period	–	–	–	–	–	–	(10,624)	–	(10,624)	3	(10,621)
Other comprehensive income for the period	–	–	–	–	(621)	–	–	–	(621)	–	(621)
At 30 June 2012	123,332	746,929	95,452	16,531	(3,480)	(83,275)	(325,118)	(11,085)	559,286	(1)	559,285

Notes to the Unaudited Interim Financial Statements

(Expressed in Renminbi unless otherwise stated)

The following notes form an integral part of the Interim Financial Statements.

1. Basis of Preparation

Sino Dragon New Energy Holdings Limited (the "Company") was incorporated in the Cayman Islands on 18 July 2000 as an exempted company with limited liability under the Companies Law of the Cayman Islands. This interim condensed consolidated financial statements comprises the Company and its subsidiaries (together referred to as the "Group") and has been prepared in accordance with International Accounting Standard ("IAS") 34 *Interim Financial Reporting* promulgated by the International Accounting Standards Board.

The interim financial statements do not include all of the information required for a full set of financial statements prepared in accordance with International Financial Reporting Standards ("IFRSs"), and should be read in conjunction with the Group's annual financial statements as at 31 December 2012. The interim financial statements have been prepared in accordance with the same accounting policies adopted in the 2012 annual financial statements.

The Group has adopted all the new and revised IFRSs that are relevant to its operations and effective for its accounting year beginning on 1 January 2013. The adoption of these new and revised IFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's financial statements and amounts reported for the current year and prior years.

The Group has not applied the new IFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new IFRSs but is not yet in a position to state whether these new IFRSs would have a material impact on its results of operations and financial position.

The preparation of the interim financial statements in conformity with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year-to-date process. Actual results may differ from these estimates.

The interim financial statements have been prepared under the historical cost convention. Items included in the financial statements of each entity comprising the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to that entity ("functional currency"). For the purposes of presenting the interim financial statements, the Group adopted Renminbi as its presentation currency, rounded to the nearest thousand.

2. Turnover and Segment Information

Turnover represents the sales value of goods and services sold less returns, discounts and value added taxes and other sales taxes.

The Group has five reportable segments as follows:

(i) Yixing Xinxing Zirconium Company Limited ("YXZL")

(ii) Yixing Better Batteries Company Limited ("YBBL")

(iii) Binhai Dragon Crystal Chemicals Company Limited ("BHDC")

(iv) PT Asia Prima Resources ("APR")

(v) Muntari Holdings Limited and its subsidiaries (collectively known as "Muntari Group")

The Group's reportable segments are strategic business units that offer different products and services. They are managed separately because each business requires different technology and marketing strategies.

Segment profits or losses do not include corporate income and expenses. Segment assets do not include deferred tax assets, goodwill and corporate assets.

The Group accounts for intersegment sales and transfers as if the sales or transfers were to third parties, i.e. at current market prices.

(a) Segment results, assets and liabilities

Information regarding the Group's reportable segments for the period is set out below:

	YXZL (Unaudited) Six months ended 30 June		YBBL (Unaudited) Six months ended 30 June		BHDC (Unaudited) Six months ended 30 June		APR (Unaudited) Six months ended 30 June		Muntari Group (Unaudited) Six months ended 30 June		Total (Unaudited) Six months ended 30 June	
	2013	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Revenue from external customers	**34,201**	64,811	**5,996**	7,790	**–**	–	**–**	–	**7,780**	13,259	**47,977**	85,860
Inter-segment revenue	**700**	5,088	**–**	–	**–**	22,058	**–**	–	**–**	–	**700**	27,146
Reportable segment revenue	**34,901**	69,899	**5,996**	7,790	**–**	22,058	**–**	–	**7,780**	13,259	**48,677**	113,006
Reportable segment profit/(loss) before taxation	**(5,063)**	(5,198)	**(530)**	(51)	**(846)**	(2,875)	**(4)**	7	**1,671**	(260)	**(4,772)**	(8,377)
Interest income	**283**	296	**4**	6	**–**	–	**–**	–	**4,004**	1,836	**4,291**	2,138
Interest expenses	**–**	–	**–**	–	**–**	–	**–**	–	**(1,934)**	(5,794)	**(1,934)**	(5,794)
Depreciation and amortisation	**2,528**	2,418	**195**	173	**602**	1,954	**–**	–	**4,298**	6,986	**7,623**	11,531

	YXZL		YBBL		BHDC		APR		Muntari Group		Total	
	(Unaudited)	(audited)	**(Unaudited)**	(audited)	**(Unaudited)**	(audited)	**(Unaudited)**	(audited)	**(Unaudited)**	(audited)	**(Unaudited)**	(audited)
	30 June 2013	31 December 2012	**30 June 2013**	31 December 2012	**30 June 2013**	31 December 2012	**30 June 2013**	31 December 2012	**30 June 2013**	31 December 2012	**30 June 2013**	31 December 2012
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Reportable segment assets	**402,605**	355,089	**23,229**	24,237	**73,764**	73,057	**—**	—	**1,228,174**	1,006,977	**1,727,772**	1,459,360
Reportable segment liabilities	**(213,327)**	(160,748)	**(4,177)**	(4,654)	**(204,860)**	(203,486)	**(9)**	(6)	**(1,131,849)**	(911,942)	**(1,554,222)**	(1,280,836)

(b) **Reconciliation of reportable segment revenue, profit or loss, assets and liabilities**

	Unaudited	
	Six months ended 30 June	
	2013	2012
	RMB'000	*RMB'000*
Revenue		
Reportable segment revenue	**48,677**	113,006
Elimination of inter-segment revenue	**(700)**	(27,146)
Consolidated turnover	**47,977**	85,860
Profit/(Loss)		
Reportable segment loss	**(4,772)**	(8,377)
Operating loss of other segment	**—**	(1,043)
Change in fair value of convertible bonds	**1,329**	8,813
Unallocated head office and corporate expenses	**(6,292)**	(10,014)
Consolidated loss before taxation	**(9,735)**	(10,621)

	30 June 2013 (unaudited) *RMB'000*	31 December 2012 (audited) *RMB'000*
Assets		
Total assets of reportable segment	**1,727,772**	1,459,360
Elimination of inter-segment assets	**(213,887)**	(210,994)
Unallocated amounts:		
Deferred tax assets	**97,421**	97,421
Fair value adjustments on property, plant and equipment and intangible assets upon acquisition of subsidiaries, net of impairment	**85,040**	87,132
Unallocated head office and corporate assets	**4,280**	6,302
Consolidated total assets	**1,700,626**	1,439,221
Liabilities		
Total liabilities of reportable segment	**1,554,222**	1,280,836
Elimination of inter-segment liabilities	**(301,027)**	(299,670)
Unallocated amounts:		
Deferred tax liabilities	**45,454**	45,454
Convertible bonds	**39,928**	38,778
Derivative financial instruments	**270**	1,622
Unallocated head office and corporate liabilities	**1,189**	1,731
Consolidated total liabilities	**1,340,036**	1,068,751

(c) Geographical Information

	Unaudited Six months ended 30 June 2013 RMB'000	2012 RMB'000
Revenue		
PRC except Hong Kong	**25,861**	40,682
North America	**9,060**	16,377
Europe	**1,828**	11,815
Japan	**9,178**	9,158
Others	**2,050**	7,828
Consolidated turnover	**47,977**	85,860

In presenting the geographical information, revenue is based on the locations of the customers.

The Group's non-current assets are substantially located in the PRC.

3. Loss Before Taxation

Loss before taxation is arrived at after (crediting)/charging:

	Unaudited Six months ended 30 June 2013 RMB'000	2012 RMB'000
(a) Net finance costs:		
Interest income	**(4,291)**	(2,141)
Interest expenses on bank loans wholly repayable within five years	**1,934**	5,794
Imputed interest expenses on convertible bonds	**1,700**	1,852
Net exchange loss/(gain)	**408**	(161)
	(249)	5,344
(b) Staff costs:		
Salaries, wages and other benefits	**7,420**	7,186
Contributions to defined contribution retirement scheme	**379**	399
	7,799	7,585
(c) Other items:		
Amortisation		
— prepaid land lease payments	**924**	857
— intangible assets	**2,574**	4,301
Depreciation	**4,129**	6,379
Operating lease charges in respect of the office premises in Hong Kong	**412**	324
Cost of inventories	**38,416**	77,834

4. Income Tax

	Unaudited Six months ended 30 June	
	2013	2010
	RMB'000	*RMB'000*
Current tax - PRC enterprise income tax ("PRC EIT")		
Provision for the period	**418**	—
Deferred tax		
Origination and reversal of temporary differences	**—**	—

(i) *Pursuant to the rules and regulations of the Cayman Islands and British Virgin Islands ("BVI"), the Group is not subject to any income tax in the Cayman Islands and BVI.*

(ii) *No provision for Hong Kong Profits Tax has been made as the Group did not earn any profits assessable to Hong Kong Profits Tax for the six months ended 30 June 2012 and 2013.*

(iii) *The new PRC EIT law (the "New Tax Law") passed by the Tenth National People's Congress on 16 March 2007 introduces various changes which include the unification of the enterprise income tax for domestic and foreign enterprises at 25%. The new tax law was effective from 1 January 2008.*

As a production-oriented foreign investment enterprise ("FIE"), YBBL had kicked off its tax holiday (the "Tax Holiday") under the old PRC EIT regime in 2008. As such, YBBL was exempted from PRC EIT in 2009. The unexpired Tax Holiday enjoyed by FIE established before 16 March 2007 is allowed to continue after implementation of New Tax Law until expiry of the Tax Holiday. As such, the applicable EIT rate of YBBL is 12.5% in years 2010 to 2012 and 25% thereafter.

No PRC EIT provision is required for YXZL, YBBL and BHDC established and registered in the PRC since they have no assessable profits during the six months ended 30 June 2012 and 2013.

No EIT provision has been made for Ningbo Bokun Petrochemicals Storage Co., Ltd. as it did not generate assessable profit during the period. EIT provision has been made for Ningbo Lianyi Enterprise Management Consulting Co., Ltd. ("Ningbo Lianyi") at a tax rate of 25% on the assessable profits for the six months ended 30 June 2013. No EIT provision has been made for Ningbo Lianyi for the six months ended 30 June 2012 as it did not have any assessable profits for the period.

(iv) *Pursuant to the income tax law in Indonesia, APR is subject to entity income tax rate 25%, based on the level of assessable profits earned by the enterprise. No corporate income tax provision has been made as it has no assessable profits for both six months ended 30 June 2012 and 2013.*

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period.

5. Dividends

The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2013 (Six months ended 30 June 2012: Nil).

6. Loss per Share

The calculation of basic and dilutive loss per share is based on the following data:

	Unaudited Six months ended 30 June	
	2013	2012
	RMB'000	*RMB'000*
Loss		
Loss for the purpose of calculating basic loss per share	**(10,151)**	(10,621)
Effect of interest saved on the liability component of convertible bonds outstanding	**1,700**	1,852
Effect of change in carrying amount and fair value of convertible bonds	**(1,329)**	(8,813)
Loss for the purpose of calculating diluted loss per share	**(9,780)**	(17,582)

	Unaudited Six months ended 30 June **2013** ***No. of Shares***	2012 *No. of Shares*
Weighted Average Number of Shares		
Weighted average number of ordinary shares (basic)	**2,453,806,546**	2,583,412,645
Effect of dilutive potential ordinary shares arising from outstanding share options	**—**	116,260
Effect of dilutive potential ordinary shares arising from outstanding convertible bonds	**—**	144,444,444
Weighted average number of ordinary shares (diluted)	**2,453,806,546**	2,727,973,349

As the effect of the Company's outstanding share options and outstanding convertible bonds for the period ended 30 June 2013 was anti-dilutive, the Company did not include the effect of dilutive potential ordinary shares arising from the outstanding share options and convertible bonds in the weighted average number of ordinary shares for the purpose of calculating diluted loss per share.

7. Property, Plant and Equipment

During the six months ended 30 June 2013, the Group acquired items of property, plant and equipment with a cost of RMB440,000 (six months ended 30 June 2012: RMB2,250,000). During the six months ended 30 June 2013, the Group did not dispose any property, plant and equipment (Six months ended 30 June 2012: Nil).

At 30 June 2013, the Group was in the process of obtaining the relevant property ownership certificates of certain buildings in the PRC and Indonesia from the relevant government authorities, the carrying value of which amounted to approximately RMB16,634,000 (31 December 2012: RMB16,899,000).

At 30 June 2013, the carrying amount of machinery and equipment pledged as security for the Group's bills payables and bank loans amounted to approximately RMB69,148,000 (31 December 2012: RMB70,921,000).

8. Intangible assets

	Technical know-how (unaudited) *RMB'000*	Operating license (unaudited) *RMB'000*	Backlog (unaudited) *RMB'000*	Total (unaudited) *RMB'000*
Cost:				
At 1 January 2012, 31 December 2012 1 January 2013 and 30 June 2013	4,345	174,924	1,141	180,410
Accumulated amortisation and impairment losses:				
At 1 January 2012	4,342	7,951	815	13,108
Charge for the year	3	7,951	326	8,280
Impairment loss for the year	—	56,064	—	56,064
At 31 December 2012 and 1 January 2013	4,345	71,966	1,141	77,452
Charge for the period	—	2,574	—	2,574
At 30 June 2013	4,345	74,540	1,141	80,026
Net book value:				
At 30 June 2013	—	100,384	—	100,384
At 31 December 2012	—	102,958	—	102,958

Notes:

(a) *Technical know-how mainly represents a production technology in respect of rechargeable batteries acquired from a third party in 2003. The amortisation period was 5 years.*

(b) *Operating license represents the license to operate the wholesale and storage of petrochemicals granted by the PRC government authorities and is amortised over the estimated useful life of 22 years.*

(c) *Backlog represents the operating lease contracts signed with customers in respect of the petrochemical storage business and is amortised over the estimated useful life of 1.4 years.*

9. Trade and Other Receivables

	30 June 2013 (unaudited) *RMB'000*	31 December 2012 (audited) *RMB'000*
Trade receivables	**245,132**	12,534
Bills receivables	**290**	150
Less: Allowance for doubtful debts	**(2,387)**	(2,387)
	243,035	10,297
Advance payments to suppliers		
— petrochemical suppliers	**583,829**	463,238
— other suppliers	**5,403**	1,098
Deposits and prepayments	**5,444**	5,699
Other receivables	**34,262**	25,739
	871,973	506,071

(a) **Aging analysis**

The Group's trading terms with customers are mainly on credit. The credit terms generally range from 30 to 90 days. For new customers, payment in advance is normally required. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by the directors.

The aging analysis of trade receivables, based on invoice date, and net of allowance, is as follows:

	30 June 2013 (unaudited) ***RMB'000***	31 December 2012 (audited) *RMB'000*
Within 3 months	**242,475**	9,791
3 to 6 months	**205**	—
6 months to 1 year	**—**	305
Over 1 year	**65**	51
	242,745	10,147

As of 30 June 2013, trade receivables of approximately RMB648,000 (31 December 2012: approximately RMB1,127,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The aging analysis of these trade receivables is as follows:

	30 June 2013 (unaudited) ***RMB'000***	31 December 2012 (audited) *RMB'000*
Within 3 months	**378**	771
3 to 6 months	**204**	55
6 months to 1 year	**1**	250
Over 1 year	**65**	51
	648	1,127

(b) **Allowance for trade receivables**

Movement of allowance for trade receivables is as follows:

	30 June 2013 (unaudited) ***RMB'000***	31 December 2012 (audited) *RMB'000*
At beginning of period/year	**2,387**	599
Allowance for the period/year	**—**	1,788
At end of period/year	**2,387**	2,387

10. Pledged Bank Deposits

As at 30 June 2013, bank deposits of RMB305,000,000 (31 December 2012: RMB445,000,000) have been pledged to banks as security for bills payable. The deposits are at fixed interest rate, and therefore expose the Group to fair value interest rate risk. As at 30 June 2013 and 31 December 2012, the pledged bank deposits are denominated in RMB.

11. Cash and Cash Equivalents

	30 June 2013 (unaudited) *RMB'000*	31 December 2012 (audited) *RMB'000*
Bank and Cash Balances	**46,259**	20,364

12. Trade and Other Payables

	30 June 2013 (unaudited) *RMB'000*	31 December 2012 (audited) *RMB'000*
Trade payables	**8,223**	8,725
Bills payable	**715,000**	855,000
	723,223	863,725
Receipts in advance from customers	**422,787**	1,162
Payable for construction costs and acquisition of property, plant and equipment	**15,035**	16,100
Accruals and other payables	**26,834**	29,403
	1,187,879	910,390

(a) **Aging analysis**

The aging analysis of the trade payables, based on the date of receipt of goods, is as follows:

	30 June 2013 (unaudited) ***RMB'000***	31 December 2012 (audited) *RMB'000*
Within 3 months	**5,710**	6,784
3 to 6 months	**570**	801
6 months to 1 year	**726**	421
Over 1 year	**1,217**	719
	8,223	8,725

(b) **Securities for bills payable and bank loans**

As at 30 June 2013, the Group's bills payables of RMB715,000,000 (31 December 2012: RMB855,000,000) and bank loans of RMB40,000,000 (31 December 2012: RMB40,000,000) were secured by pledged bank deposits (note 10), charges over certain property, plant and equipment (note 7) and guarantees provided by a related company, Shanghai Bokun Investments Co., Ltd. and personal guarantees provided by Mr. Wang Jia Wei, a director, and Ms. Liu Chao Yin, an associate of Mr. Wang Jia Wei (note 17(e)).

13. Convertible Bonds

On 6 January 2011, the Company issued 2 tranches, Tranche 1 CB and Tranche 2 CB, of convertible bonds at 100% of the principal amount of HK$65,000,000 for each tranche (totalling HK$130,000,000), as part of the consideration for the acquisition of Muntari Group. The convertible bonds are interest-free and unsecured.

On 16 June 2011, Tranche 1 CB with principal amount of HK$65,000,000 was converted into 144,444,444 ordinary shares of the Company.

As at 30 June 2013, the conversion right of Tranche 2 CB has not been exercised. Details of the outstanding convertible bonds are as follows:

	Tranche 2 CB
Principal amount	HK$65,000,000
Interest rate	Nil
Convertible into the Company's ordinary shares at HK$0.05 each (number of shares)	144,444,444
Conversion price per ordinary share	HK$0.45
Maturity date	6 January 2016

The amount from the issue of the convertible bonds have been split between the liability element and derivative components as follows:

	Liability component (unaudited) *RMB'000*	Derivative component (unaudited) *RMB'000*	Total (unaudited) *RMB'000*
At 1 January 2012	35,391	17,440	52,831
Interest charged for the year	3,597	—	3,597
Change in carrying amount and fair value	105	(15,858)	(15,753)
Exchange differences	(315)	40	(275)
At 31 December 2012 and 1 January 2013	38,778	1,622	40,400
Interest charge for the period	1,700	—	1,700
Change in carrying amount and fair value	—	(1,329)	(1,329)
Exchange differences	(550)	(23)	(573)
At 30 June 2013	39,928	270	40,198

14. Equity-Settled Share-Based Transactions

Pursuant to the written resolution passed by the shareholders of the Company on 24 September 2002, the share option scheme (the "Old Scheme") was approved and adopted and, the board of directors may, at its discretion, grant options to any director (whether executive or non-executive and whether independent or not), any employee (whether full-time or part-time), any consultant or adviser of or to the Company or the Group (whether on an employment or contractual or honorary basis and whether paid or unpaid).

Pursuant to the resolution passed by the shareholders of the Company in the annual general meeting held on 27 May 2011, the Old Scheme was terminated such that no further options could thereafter be offered under the Old Scheme but in all other respects and provisions of the Old Scheme shall remain in full force and effect, while a new share option scheme (the "New Scheme") was approved and adopted and, the board of directors may, at its discretion, grant options to the eligible persons as defined in the New Scheme.

The Company operates the New Scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants include the full-time and part-time employees, directors and full-time and part-time business consultants of the Company and the shareholders of the Group. The New Scheme became effective on 27 May 2011 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

During the six months ended 30 June 2013 and the year ended 31 December 2012, no Options were granted under the New Scheme.

The terms and conditions of the unexpired and unexercised Options at 30 June 2013 are as follows:

	Date of grant	Exercise period	At 1 January 2013	Granted during the period	Exercised/ Lapsed during the period	At 30 June 2013	Exercise Price per share
			Number of Options				*HK$*
Executive Directors							
Yang Xin Min	14/6/2011	14/6/2011–13/6/2016	1,600,000	—	—	1,600,000	0.818
Huang Yue Qin	14/6/2011	14/6/2011–13/6/2016	600,000	—	—	600,000	0.818
Zhou Quan	14/6/2011	14/6/2011–13/6/2016	600,000	—	—	600,000	0.818
Li Fu Ping (resigned on 10 September 2012)	14/6/2011	14/6/2011–13/6/2016	600,000	—	—	600,000	0.818
Fang Guo Hong (resigned on 8 April 2013)	14/6/2011	14/6/2011–13/6/2013	22,480,000	—	(22,480,000)	—	0.818
Subtotal			25,880,000	—	(22,480,000)	3,400,000	
Non-Executive Director							
Wang Jia Wei	14/6/2011	14/6/2011–13/6/2016	600,000	—	—	600,000	0.818

	Date of grant	Exercise period	Number of Options: At 1 January 2013	Granted during the period	Exercised/ Lapsed during the period	At 30 June 2013	Exercise Price per share *HK$*
Independent Non-Executive Directors							
Cheng Faat Ting Gary	14/6/2011	14/6/2011– 13/6/2016	200,000	—	—	200,000	0.818
Ji Chang Ming	31/5/2010	31/5/2010– 30/5/2015	200,000	—	—	200,000	0.261
Ji Chang Ming	14/6/2011	14/6/2011– 13/6/2016	200,000	—	—	200,000	0.818
Poon Lai Yin Michael	14/6/2011	14/6/2011– 13/6/2016	200,000	—	—	200,000	0.818
Subtotal			800,000	—	—	800,000	
Employee	14/6/2011	14/6/2011– 13/6/2016	600,000	—	—	600,000	0.818
Third-party consultants	15/8/2008	15/8/2008– 15/8/2013	600,000	—	—	600,000	0.330
Total			28,480,000	—	(22,480,000)	6,000,000	

15. Share Capital

The Company has authorised capital of 8,000,000,000 ordinary shares at HK$0.05 each. As at 30 June 2013, 2,453,806,546 shares (31 December 2012: 2,453,806,546 shares) were issued and fully paid.

16. Commitments

(a) Capital Commitments

	30 June 2013 (unaudited) ***RMB'000***	31 December 2012 (audited) *RMB'000*
Property, plant and equipment		
Contracted but not provided for	**2,223**	2,223

(b) At 30 June 2013, the Group had a commitment of US$561,000 (31 December 2012: US$561,000) equivalent to approximately RMB3,466,000 (31 December 2012: RMB3,497,000), in respect of the outstanding capital contribution in P.T. Asia Prima Resources.

17. Material Related Party Transactions

(a) Transactions with related parties

Name of related parties	Relationship	Nature of transaction	30 June 2013 (unaudited) *RMB'000*	31 December 2012 (audited) *RMB'000*
Shanghai Bokun Investment Co., Ltd.	Controlled by a director of the Company	Motor vehicles service fee charged	**390**	675

(b) Due from a director

Name of director	Terms	30 June 2013 (unaudited) *RMB'000*	31 December 2012 (audited) *RMB'000*	Maximum amount outstanding during the period (unaudited) *RMB'000*
Yang Xin Min	Unsecured, interest-free and repayable on demand	**3,042**	3,870	**3,870**

(c) Due to directors

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

(d) Due to related parties

Name of related parties	Relationship	Terms	30 June 2013 (unaudited) *RMB'000*	31 December 2012 (audited) *RMB'000*
Shanghai Bokun Investment Co., Ltd.	Controlled by a director of the Company	Unsecured, interest-free and repayable on demand	**3,000**	5,400
Jiangsu Xinxing Chemicals Group Co., Ltd.	Controlled by a director of the Company	Unsecured, interest-free and repayable on demand	**1,138**	1,138
			4,138	6,538

(e) Guarantees provided by related parties for banking facilities

As at 30 June 2013, the Group's banking facilities were secured by, among others, the guarantee provided by Shanghai Bokun Investment Co., Ltd., a related company controlled by Mr. Wang Jia Wei, a director of the Company, and the personal guarantees provided by Mr. Wang Jia Wei and Ms. Liu Chao Ying, an associate of Mr. Wang Jia Wei (Note 12(b)).

(f) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors is as follows:

	Unaudited Six months ended 30 June	
	2013	2012
	RMB'000	*RMB'000*
Short-term employee benefits	**1,447**	1,563

18. Non-adjusting Events After the Reporting Period

There were no material non-adjusting events after the reporting period.

19. Approval of the Unaudited Interim Financial Statements

The unaudited interim financial statements was approved and authorised for issue by the Board on 30 August 2013.

Management Discussion and Analysis

Caution regarding forward-looking statements

This Management Discussion and Analysis contains forward-looking statements which reflect the Company's current beliefs with respect to future events and are based on information currently available to the Company. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. When reviewing the Company's forward-looking statements, investors and others should not place undue reliance on these forward-looking statements and should carefully consider the foregoing factors and other uncertainties and potential events. Unless otherwise required by applicable securities laws, the Company disclaims any intention or obligation to update the forward-looking statements. The Company has an ongoing obligation to disclose material information as it becomes available.

Review of Results and Operations

Business Review

During the six months period ended 30 June 2013, the global market environment remained unoptimistic with sluggish recovery of the world economy and limited growth in market demand. The domestic demand in the PRC market was also facing downside risk. Influenced by the adverse economic environment, the global market for zirconium chemicals used in consumption products, such as cosmetics and electronic appliances, continued to shrink. This has led to the significant decrease in the Group's sales of zirconium products during the current period. On the raw materials supply side, the average price of zircon remained at a high level throughout the current period even though it had dropped slightly as compared to last year. The Group was exposed to significant pressure on the profit margin of zirconium chemical products because the magnitude of decrease in selling prices of the Group's zirconium products was much larger than the magnitude of the decrease in raw material prices due to the weak market demand during the six months ended 30 June 2013. Moreover, the approval process for the official operating license of the Group's Binhai plant did not make much progress during the first half of 2013, regardless of the significant efforts that had been made by the Group's management in negotiating with the local government officials. Given that the limited scale production at Binhai plant would worsen the zirconium segment's performance by making a loss contribution to the overall results of the Group, the management had reluctantly decided to suspend the operation of the Binhai plant during the six months period ended 30 June 2013. Nonetheless, the Group's management will continue to make their best efforts in striving to obtain the official license and resume production at the Binhai plant.

On the other hand, the Group's petrochemical storage and trading business continued to be adversely affected by the fluctuating price of petrochemicals during the period. The major maintenance works on the oil tanks had been fully completed in the current period and certain leases of oil tanks had been resumed. Yet the decreasing demand for oil products in the PRC domestic market had resulted in the decreasing demand for petrochemicals storage facilities. This resulted in a further drop in the utilisation rate and lease rental rate of the Group's petrochemical storage facilities as compared to the same period in prior year. The sluggish domestic economy had also led to a decrease in trading volume of oil products in the PRC market, which had reduced the commission income of the Group's petrochemicals trading business.

The rechargeable batteries business continued to generate a stable income stream for the Group despite it recorded a drop in turnover and a net loss in current period. The decrease in profitability was mainly due to the increasing raw materials cost and labor cost, as well as the decreasing selling prices of batteries products resulted from the highly competitive environment in the PRC domestic market for rechargeable batteries.

The operation of the Group's zircon processing plant in Indonesia remains suspended during the current period. Given the uncertainty in the operating environment in Indonesia, the Company's management considered that to continue suspending the Indonesian plant would be more appropriate for the time being as this will reduce the cash outflow and avoid incurring additional operating loss for the Group.

Financial Review

During the six months ended 30 June 2013, the Group reported a consolidated revenue of RMB47,976,000, represented a decrease of RMB37,884,000 or 44.1% as compared to same period in prior year. The decrease was mainly due to the decrease in the revenue for YXZL and Muntari Group by RMB29,910,000 and RMB5,479,000, respectively. During the period ended 30 June 2013, the selling prices of the zirconium products had dropped significantly resulting from the over-capacity problem of the zirconium chemicals industry in the PRC market. The cut-throat competition in the PRC zirconium chemicals industry had unavoidably led to an overall decrease in the profit margin of almost all kinds of zirconium chemicals products ranging from low end to high end. On the other hand, the revenue of Muntari Group was adversely affected by the decreasing demand in the petrochemicals market. This resulted in a drop in both the lease rental income of the petrochemicals storage business and the commission income for the petrochemicals trading business. It is expected that there will be no significant improvement in the market and economic conditions in the second half year of 2013.

For the period under review, the Group generated a gross profit of RMB2,174,000, increased by 71.7% as compared to same period in 2012. The increase in gross profit was primarily resulted from the suspension of production at the Binhai plant, which in turn reduce its negative contribution to the overall gross margin of the zirconium chemical products.

The change in fair value of convertible bonds represented the net gain in fair value of the outstanding convertible bonds. Such fair value was determined with reference to the assessment made by independent valuer as at period end.

In line with the lower turnover recorded by the Group in the current period, selling expenses had decreased by RMB1,037,000 or 42.3% as compared to the same period in prior year. The decrease was mainly attributable to the lower transportation cost incurred for the current period.

Administrative expenses had decreased from RMB12,610,000 in prior period to RMB12,016,000 in current period, represented a decrease of RMB594,000 or 4.7%.

Net finance cost decreased from an expense of RMB5,344,000 in prior period to an income of RMB249,000 in current period, which was primarily due to the higher interest income generated from the pledged bank deposits and fixed term deposits during the current period.

Prospects

The management of the Group expects that the market will still be full of challenges and opportunities during the second half of 2013. The management considers that cautious involvement in other industries will support and improve the return to the shareholders of the Company. In consideration of the long-term development strategy, the Group will continue to actively explore other investment opportunities that are in line with its development strategy to achieve continuous enhancement of the Group's overall competitiveness and overall business performance.

Interim Dividend

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2013.

Substantial Shareholders' and Directors' Interests in Securities

Substantial Shareholders' Interests in Securities

As at 30 June 2013, the register of shareholders maintained pursuant to the Securities and Futures Ordinance (the "SFO") shows that the following shareholders with interests representing 5% or more of the Company's issued share capital:

Name of Shareholder	Capacity	Number of Shares: Personal Interest	Other Interests *(Note 1)*	Interest in Underlying Shares *(Note 2)*	Total Interests	Percentage of Total Share Capital
Yang Xin Min	Beneficial	592,573,880	1,600,000	—	594,173,880	24.21%
Wang Jia Wei	Beneficial	210,000,000	600,000	144,444,444	355,044,444	14.47%

Notes:

1. *Other interests represented the number of underlying shares comprised in the share options granted to the Directors but remained outstanding as at 30 June 2013.*

2. *The 144,444,444 underlying shares were comprised in a convertible bond issued by the Company to Sinobright Petroleum Management Holding Co Limited ("Sinobright") on 6 January 2011. Mr. Wang Jia Wei was the sole beneficial owner of Sinobright and therefore was deemed to have an interest in the 144,444,444 underlying shares.*

Save as disclosed above, the Board is not aware of any persons directly or indirectly interested in 5% or more in the shares of the Company as recorded in the register required to be kept under the SFO.

Directors' Interests in Securities

As at 30 June 2013, the interests of the directors and chief executive of the Company in the securities of the Company and its associated corporation (within the meaning of the SFO) which (a) were required to be notified to the Company and The Stock Exchange of Hong Kong Limited ("the Stock Exchange") pursuant to Divisions 7 and 8, stipulated in Section 341 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 (b) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

		Number of Shares				
Name of Director	**Capacity**	**Personal Interest**	**Other Interests** *(Note 1)*	**Interest in Underlying Shares** *(Note 2)*	**Total Interests**	**Percentage of Total Share Capital**
Yang Xin Min	Beneficial	592,573,880	1,600,000	—	594,173,880	24.21%
Huang Yue Qin	Beneficial	—	600,000	—	600,000	0.02%
Zhou Quan	Beneficial	240,000	600,000	—	840,000	0.03%
Wang Jia Wei	Beneficial	210,000,000	600,000	144,444,444	355,044,444	14.47%
Cheng Faat Ting Gary	Beneficial	200,000	200,000	—	400,000	0.016%
Ji Chang Ming	Beneficial	—	400,000	—	400,000	0.016%
Poon Lai Yin Michael	Beneficial	—	200,000	—	200,000	0.008%

Notes:

1. *Other interests represented the number of underlying shares comprised in the share options granted to the Directors but remained outstanding as at 30 June 2013.*

2. *The 144,444,444 underlying shares were comprised in a convertible bond issued by the Company to Sinobright Petroleum Management Holding Co Limited ("Sinobright") on 6 January 2011. Mr. Wang Jia Wei was the sole beneficial owner of Sinobright and therefore was deemed to have an interest in the 144,444,444 underlying shares.*

Share Options Granted Pursuant to the Share Option Scheme

Pursuant to the written resolution by the shareholders of the Company on 24 September 2002, the Share Option Scheme (the "Old Scheme") was approved and adopted and, the Board may, at its discretion, grant share options ("Options") to the eligible persons as defined in the Old Scheme. The Old Scheme was terminated on 27 May 2011, such that no further Options could thereafter be offered under the Old Scheme but in all other respects and provisions of the Old Scheme shall remain in full force and effect.

Pursuant to the resolution passed by the shareholders of the Company in the Annual General Meeting held on 27 May 2011, a new Share Option Scheme (the "New Scheme") was approved and adopted and, the Board may, at its discretion, grant Options to the eligible persons as defined in the New Scheme. The New Scheme will expire on 27 May 2021.

During the period ended 30 June 2013, no Options have been granted under the New Scheme. Details of the Options outstanding as at 30 June 2013 were set out in note 14 to the Interim Financial Statements.

Liquidity and Financial Resources

As of 30 June 2013, the Group has a total cash and bank balances of approximately RMB389,259,000 (31 December 2012: RMB483,364,000), of which RMB305,000,000 (31 December 2012: RMB445,000,000) has been pledged as security for issuing bills payable to the suppliers. The balance of pledged deposits decreased due to the decrease in the amount of bills payable that had been issued to the suppliers. Disregard of the pledged deposits, the Group's bank and cash balances had increased from RMB38,364,000 as at 31 December 2012 to RMB84,259,000 as at 30 June 2013. The increase in bank and cash balances was mainly resulted from the increase in receipts in advance from customers in the current period, mainly for the petrochemicals trading business.

At 30 June 2013, the Group's banking facilities totalled RMB755,000,000 (31 December 2012: RMB895,000,000) which were used by the Group's subsidiaries engaged in petrochemicals business for short-term loan and issued bills payable to the petrochemicals supplier. The bank facilities were secured by charges over certain property, plant and equipment of the Group with an aggregate carrying value as at 30 June 2013 of approximately RMB69,148,000 (31 December 2012: RMB70,921,000), pledged deposits of RMB305,000,000 and guarantees provided by a director and his associate as well as a related company (Note 17(e)).

As at 30 June 2013, the Company had balances in advance payments to suppliers — petrochemical suppliers of RMB583,829,000 (31 December 2012: RMB463,238,000) and bills payable of RMB715,000,000 (31 December 2012: RMB855,000,000). Such balances were recorded for the petrochemicals business. According to the normal practice in this industry, Ningbo Bokun (the Group's subsidiary engaged in petrochemicals business) has to make advance payments to suppliers in the form of bank bills to secure the petrochemicals needed to fulfill an order from an end-customer. When Ningbo Bokun issues bank bills to the suppliers, it recognizes the amounts in the bills payable account and correspondingly in the advance payments to suppliers account. The balance of advance payments to suppliers would be reduced when the supplier delivers the goods to the end customers. As at 30 June 2013, the Group's consolidated trade receivables had increased from RMB12,534,000 as at 31 December 2012 to RMB245,132,000, of which RMB237,600,000 were receivables related to the petrochemicals trading business. In these arrangements, Ninbo Bokun acts as an agent and therefore, it does not recognize the gross amount of sales and purchases in its profit and loss, but instead recognizes the margin as commission income in its turnover. Such recognition policy was consistent with that adopted in the prior year.

Contingent Liabilities

At 30 June 2013, the Group had no material contingent liabilities.

Employees

During the period ended 30 June 2013, the Group had an average of 241 employees (same period of 2012: 350 employees). In the first half year of 2013, the aggregate employee remuneration (including directors' fees) was approximately RMB7,799,000 (same period of 2012: RMB7,585,000). The staff cost has increased in current period even though there was a decrease In average number of employees during the current period because there was an overall increase in labor cost in the PRC market. The decrease in headcounts was partly due to the temporary suspension of operation at Binhai plant and partly due to the reduction in production at the Yixing production base. On the other hand, the directors' fees and salaries of administrative staff remained at the same level as in prior years. The Group offers competitive salary packages to its employees who are also eligible for incentives based on their individual performance supplementing the Group's overall remuneration and bonus systems.

Purchase, Sale or Redemption of Listed Securities

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities for the six months ended 30 June 2013.

Pre-emptive Rights

There is no provision for pre-emptive rights under the Company's articles of association or the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

Material Litigation

During the six months ended 30 June 2013, the Company was not involved in any litigation or arbitration of any material importance.

Corporate Governance

Compliance with the Code on Corporate Governance Practices

During the six months period ended 30 June 2013, the Company has complied with the Code on Corporate Governance Practices as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited except in respect of a code provision providing for the roles of Chairman and Chief Executive Officer to be performed by different individuals. The deviation is deemed appropriate as the Company believes that the combination of the roles of Chairman and Chief Executive Officer promotes the efficient formulation and the implementation of the Company's strategies enabling the Group to grasp business opportunities efficiently and promptly. The Company considers that through the supervision of its Board and its independent non-executive directors, a balancing mechanism exists so that the interests of the shareholders are adequately and fairly represented.

Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code")

The Company has adopted a code of conduct regarding directors' securities transactions in terms as stringent as those set out in the Model Code. All Directors, following specific enquiries made by the Company, confirmed that they have complied with the required standard of dealings as set out therein throughout the six months period ended 30 June 2013.

Audit Committee

The Company set up an Audit Committee on 24 September 2002 with its written terms of reference being in compliance with the Rules set out in "A Guide for the Formation of An Audit Committee" issued by Hong Kong Institute of Certified Public Accountants. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control systems of the Group. The Audit Committee along with the management have reviewed the accounting principles, standards and methods adopted by the Group, and has reviewed the unaudited Interim Financial Statements for the six months ended 30 June 2013.

By order of the Board
Yang Xin Min
Chairman

Hong Kong, 30 August 2013