



Zhongtian International Limited

中天國際控股有限公司*

Incorporated in the Cayman Islands with limited liability

Stock Code: 02379

Interim Report
2013

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CORPORATE INFORMATION

Executive Directors

CHEN Jun (*Chairman*)
ZHAO Yun

Independent Non-executive Directors

GUO Qiang
CHEN Wen Ping
LIU Jin Lu

Company secretary

TAI Man Hin, Tony

Audit committee

CHEN Wen Ping (*Chairman*)
GUO Qiang
LIU Jin Lu

Remuneration committee

CHEN Wen Ping (*Chairman*)
CHEN Jun
GUO Qiang

Nomination committee

CHEN Jun (*Chairman*)
CHEN Wen Ping
GUO Qiang

Legal advisors as to Hong Kong Laws

Loong & Yeung

Authorised representatives

CHEN Jun
ZHAO Yun

Stock code

02379

Company's website

www.irasia.com/listco/hk/zhongtian

Principal place of business in Hong Kong

Suites 2001-05, 20th Floor
Jardine House
1 Connaught Place
Central, Hong Kong

Auditors

Crowe Horwath (HK) CPA Limited

Principal bankers

China Construction Bank,
No.3 branch, Shinan District, Qingdao
The Hongkong and
Shanghai Banking Corporation Limited

Hong Kong branch share registrar and transfer office

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

Principal share registrar and transfer office

(effective since 26 January 2013)

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

Registered office

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Head office and principal place of business

21st Floor
Huaren International Mansion
No. 2 Shandong Road
Shinan District
Qingdao City
Shandong Province
The People's Republic of China

UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

The board (the “Board”) of directors (the “Directors”) of Zhongtian International Limited (the “Company”, together with its subsidiaries, the “Group”) are pleased to present the Group’s unaudited consolidated results for the six months ended 30 June 2013 (the “Reporting Period”), together with the comparative figures for the corresponding period in 2012 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2013

		Unaudited	
		Six months ended 30 June	
	Notes	2013	2012
		RMB'000	RMB'000
Turnover	2	1,696	6,802
Cost of sales		(1,197)	(5,671)
Gross profit		499	1,131
Other operating income	3	203	7
General and administrative expenses		(2,155)	(2,876)
Loss before income tax	4	(1,453)	(1,738)
Income tax	5	–	–
Loss for the period		(1,453)	(1,738)
Attributable to:			
Equity holders of the Company		(1,453)	(1,738)

Unaudited
Six months ended 30 June

		2013	2012
	Notes	RMB'000	RMB'000
Total comprehensive loss for the period		(1,453)	(1,738)
Attributable to:			
Equity holders of the Company		(1,453)	(1,738)
Loss per share (RMB Cents)	7		
– Basic		(0.67)	(0.80)
– Diluted		(0.67)	(0.80)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2013

	Notes	Unaudited 30 June 2013 RMB'000	Audited 31 December 2012 RMB'000
NON-CURRENT ASSETS			
Fixed assets		20,210	20,513
Investment properties	8	31,050	31,050
		51,260	51,563
CURRENT ASSETS			
Trade and other receivables	9	22,685	47,291
Amount due from a Director		32	508
Cash and bank balances		54,571	26,418
		77,288	74,217
CURRENT LIABILITIES			
Trade and other payables	10	25,539	21,299
Amounts due to Directors		918	937
Income tax payable		1,371	1,371
		27,828	23,607
NET CURRENT ASSETS		49,460	50,610
TOTAL ASSETS LESS CURRENT LIABILITIES		100,720	102,173
NON-CURRENT LIABILITIES			
Deferred tax liabilities		9,356	9,356
NET ASSETS		91,364	92,817
CAPITAL AND RESERVES			
Share capital	11	2,073	2,073
Reserves		89,291	90,744
TOTAL EQUITY		91,364	92,817

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2013

	Share capital RMB'000	Share premium RMB'000	Warrant Reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2012	2,073	146,801	315	(48,996)	100,193
Net loss for the period	-	-	-	(1,738)	(1,738)
At 30 June 2012	2,073	146,801	315	(50,734)	98,455
At 1 January 2013	2,073	146,801	315	(56,372)	92,817
Net loss for the period	-	-	-	(1,453)	(1,453)
At 30 June 2013	2,073	146,801	315	(57,825)	91,364

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

For the six months ended 30 June 2013

Unaudited
Six months ended 30 June

	2013 RMB'000	2012 RMB'000
Net cash generated from operating activities	28,153	13,563
NET INCREASE IN CASH AND CASH EQUIVALENTS	28,153	13,563
Cash and cash equivalents at beginning of the period	26,418	29,873
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD, REPRESENTED BY CASH AND BANK BALANCES	54,571	43,436

NOTES TO CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 June 2013

1. Basis of preparation

These unaudited interim condensed consolidated financial statements of the Company and its subsidiaries (collectively referred to as the “Group”) have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The preparation of the unaudited interim condensed consolidated financial statements in conformity with HKAS 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 basis. Actual results may differ from these estimates.

The unaudited interim condensed consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2012.

Significant accounting policies

The accounting policies adopted in the preparation of the unaudited interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2012, except for the adoption of the following new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, HKASs and Interpretations) and amendments to HKFRSs issued by the HKICPA for the first time for the current period’s unaudited interim condensed consolidated financial statements:

1. Basis of preparation *(Continued)*

Significant accounting policies (Continued)

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

The application of the new and revised HKFRSs had no effect on the condensed consolidated financial statements of the Group for the current and prior accounting periods.

The Group has not early applied the new and revised standards, amendments or interpretations that have been issued but are not yet effective for the accounting period of these financial statements.

2. Turnover and segment information

(a) Turnover

The Group's turnover represents external customers' income earned from the sale of information technology products and property rental income.

(b) Business segments

During the Reporting Period, the Group was principally engaged in two major business segments, which were information technology and property investment.

- (i) Information technology – sale of intelligent electronic products
- (ii) Property investment

2. Turnover and segment information *(Continued)*

(b) Business segments (Continued)

Business segments for the period are as follows:

	Unaudited	
	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
Turnover		
Information technology	1,282	6,232
Property investment	414	570
	1,696	6,802
Segment results		
Information technology	85	561
Property investment	414	570
	499	1,131
Unallocated other operating income	203	7
Unallocated corporate expenses	(2,155)	(2,876)
Loss before income tax	(1,453)	(1,738)
Income Tax	-	-
Loss for the period	(1,453)	(1,738)

2. Turnover and segment information *(Continued)*

(c) Geographical segments

No geographical segments information of the Group is shown as the Group's operations, sales by geographical market are located in the People's Republic of China (the "PRC").

3. Other operating income

	Unaudited Six months ended 30 June	
	2013 RMB'000	2012 RMB'000
Interest income on bank deposits	203	7

4. Loss before income tax

Loss before income tax has been arrived at after charging:

	Unaudited Six months ended 30 June	
	2013 RMB'000	2012 RMB'000
Cost of inventories sold	1,197	5,671
Depreciation of property, plant and equipment	303	354

5. Income tax

No provision for Hong Kong Profits Tax is made as the Group has no assessable profit for both periods.

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands and the British Virgin Islands.

Pursuant to the income tax rules and regulations of the PRC, the applicable PRC Enterprise Income Tax of the Group's subsidiaries is 25% (2012: 25%).

6. Dividends

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

7. Loss per share

The calculation of basic loss per share of the Company (the "Share(s)") is based on the loss attributable to equity holders of the Company for the six months ended 30 June 2013 of approximately RMB1,453,000 (six months ended 30 June 2012: loss of approximately RMB1,738,000) and weighted average number of ordinary Shares in issue during the six months ended 30 June 2013 of 217,029,122 (six months ended 30 June 2012: 217,029,122).

There were no dilutive potential Shares for the six months period ended 30 June 2013 and 30 June 2012, and diluted loss per Share is the same as basic loss per share.

8. Investment properties

	Unaudited 30 June 2013 RMB'000	Audited 31 December 2012 RMB'000
Investment properties, at fair value	31,050	31,050

8. Investment properties *(Continued)*

The investment properties are located in Qingdao, the PRC. No fair value adjustment was considered necessary by the directors of the Company for the six month ended 30 June 2013.

9. Trade and other receivables

Trade and other receivables of RMB22,685,000 (31 December 2012: RMB47,291,000) include trade receivables of RMB1,657,000 (31 December 2012: RMB27,921,000).

The Group has a policy of allowing a credit period ranging from 90 to 180 days.

The aging analysis of trade receivables net of provision for impairment at the end of Reporting Period, based on payment due date, is as follows:

	Unaudited 30 June 2013 RMB'000	Audited 31 December 2012 RMB'000
Current to 90 days	1,657	27,921

10. Trade and other payables

Trade and other payables of RMB25,539,000 (31 December 2012: RMB21,299,000) include trade payables of RMB1,400,000 (31 December 2012: Nil).

The aging analysis of trade payables at the end of Reporting Period, based on payment due date, is as follows:

	Unaudited 30 June 2013 RMB'000	Audited 31 December 2012 RMB'000
Current to 90 days	1,400	–

11. Share capital

	Number of shares		Share capital	
	30 June 2013 '000	31 December 2012 '000	30 June 2013 HK\$'000	31 December 2012 HK\$'000
Authorised:				
Ordinary shares of HK\$0.01 each	10,000,000	10,000,000	100,000	100,000
Issued and fully paid:				
At 1 January 2013/2012 and at 30 June 2013/31 December 2012	217,029	217,029	2,170	2,170
Equivalent to RMB'000			2,073	2,073

12. Commitments

At the end of the Reporting Period, the Group had no significant commitments.

13. Approval of the interim financial statements

The interim financial statements were approved and authorised for issue by the Board on 28 August 2013.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

During the Reporting Period, the Group was principally engaged in two major business segments, namely, information technology and property investment. The Group had discontinued its operation in the equity investment business segment during the year ended 2012.

Information Technology

After years of operation, the development and sales of intelligent electronic products began to generate revenue for the Group's business and became a business with fewer transformation obstructions within the Group's diversified operation policy. Attributed to the advantage of a high output with low investment, the Board believes that the sales of intelligent electronic products, which the Group attaches great importance, will have a steady and promising prospect for development. Meanwhile, as the competition in this domain is keen and the overall costs for exploring new customers has increased, the Group is fully aware of the fact that this domain cannot be the only source of income.

Property Investment

The commercial property rentals in Qingdao City, the PRC have continued its rising trend recently, and the property lease market keeps thriving. In the previous years, the Group has acquired quality properties with long term appreciation potential, and after renovation and rearrangement of their interior layouts, the properties have been leased out during the Reporting Period and generated rental incomes.

FINANCIAL REVIEW

Turnover and Gross Profit Margin

The Group's total turnover for the six months ended 30 June 2013 was approximately RMB1,696,000, representing a significant decrease of approximately 75% from approximately RMB6,802,000 for the corresponding period ended 30 June 2012. This was mainly attributable to the decline in sales of intelligent electronic products in the segment of information technology. The gross profit margin increased by 12% from 17% in 2012 to 29% in 2013. The major reason was mainly due to the increase in contribution of the property investment segment which has a relatively higher gross profit margin.

Distribution Costs

During the Reporting Period, the Group postponed all marketing activities due to the lack of large-scale tender projects. There is no distribution cost for the six months ended 30 June 2013 (30 June 2012: Nil).

General and Administrative Expenses

The Group's general and administrative expenses for the six months ended 30 June 2013 were approximately RMB2,155,000 (corresponding period ended 30 June 2012: approximately RMB2,876,000) representing a decrease of approximately 25% over the corresponding period ended 30 June 2012. This was mainly attributable to the decrease in professional fees.

Net Loss

During the Reporting Period, the Group recorded a net loss of approximately RMB1,453,000, which decreased by approximately 16% as compared to the net loss of approximately RMB1,738,000 for the corresponding period ended 30 June 2012. The decrease of loss was mainly attributable to the decline in general and administrative expenses relative to the corresponding period ended 30 June 2012.

BUSINESS REVIEW

Analysis by Business Segment

During the Reporting Period, the Group's principal source of income was derived from the sales of intelligent electronic products from the Group's information technology segment, which accounted for approximately 76% of the total turnover of the Group whereas the rental income from property investment segment accounted for approximately 24% respectively of the Group's total turnover.

During the Reporting Period, all of the Group's income was derived from Shandong Province, the PRC which accounted for 100% of the Group's total turnover.

FUTURE OUTLOOK

The Group will continue to focus on its development and sales of intelligent components products business, and will endeavour to consolidate its existing customers base as well as to fully explore its profit generation potential.

In the property investment domain, the Group's properties have been leased out and continue to generate rental income. The rental income is anticipated to increase steadily in the future.

Foreseeing a prosperous commercial estate industry in Mainland China in future and leveraging on its experience in leasing and managing commercial properties and the integrated operation team, the Group will seriously and continuously consider the possibility to invest in the operation and management of commercial properties for further development.

DEBTS

As at 30 June 2013, the Group had no debt securities that were issued, outstanding, approved or otherwise created but unissued. The Group also had no term loans or other borrowings or debts of borrowing nature, including bank overdrafts, acceptance liabilities or acceptance credits, obligations under financing lease or mortgages (30 June 2012: Nil).

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group's capital requirement represents mainly working capital in relation to the sales of information technology products, costs of business expansion and investment. The Group principally finances its operation and investment from operating income and internal resources.

As at 30 June 2013, the Group had cash and bank balances of approximately RMB54,571,000 (31 December 2012: approximately RMB26,418,000) of which 99% and 1% was held in RMB and HK\$ respectively. The gearing ratio (defined as total interest-bearing debts divided by shareholder's equity) was 0% (31 December 2012: 0%).

During the Reporting Period, the Group did not employ any material financial instrument for hedging purposes.

FOREIGN EXCHANGE

Since the Group mainly operates in the PRC and most of the revenue and transactions arising from its operations were settled in Renminbi, and the Group's assets and liabilities are primarily denominated in Renminbi, the Directors believe that the Group will have sufficient foreign exchange to meet its foreign exchange requirements. The Group has not experienced any material difficulties or effects on its operations or liquidity as a result of fluctuations in currency exchange rates and has not adopted any currency hedging policy or other hedging instruments during the Reporting Period.

MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES

During the Reporting Period, there was no material acquisition and disposal of subsidiaries and associated companies by the Company.

CHARGE ON ASSET AND CONTINGENT LIABILITIES

As at 30 June 2013, leasehold land and buildings and investment properties with carrying amounts of approximately RMB20,341,000 (31 December 2012: approximately RMB20,341,000) and approximately RMB22,250,000 (31 December 2012: approximately RMB22,250,000), respectively, were pledged as security to a bank for banking facilities not exceeding RMB18,000,000 (31 December 2012: RMB18,000,000) granted to an independent third party supplier of the Group in the consideration of which the Group was not required to pay for purchase deposit for the same amount under the goods purchase contract dated 25 October 2011.

The supplier, together with its beneficial owner, have agreed to provide for a counter guarantee, by way of all its assets, in favour of the Group for the amount of approximately RMB44,000,000 (31 December 2012: approximately RMB44,000,000) to indemnify the Group for any loss arising from the pledge of properties of the Group.

In the opinion of the Directors, the above pledge of properties for trade credit finance was conducted in the ordinary course of business of the Group and exposure is remote.

Apart from the above, the Group had no other material pledge of assets and contingent liabilities as at 30 June 2013 (31 December 2012: Nil).

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2013, the Group had 7 employees (30 June 2012: 7). Most of the Group's employees are based in the head office of the Group in Qingdao City of Shandong Province in the PRC.

The remuneration policy and package of the Group's employees are periodically reviewed. Apart from social insurance and in-house training programmes, discretionary bonuses and share options may be awarded to employees according to the assessment of individual performance.

The total remuneration cost incurred by the Group for the six months ended 30 June 2013 was approximately RMB195,000 (30 June 2012: approximately RMB204,000).

CHANGE OF AUDITORS

CCIF CPA Limited, the Company's auditors for the financial year ended 31 December 2012, retired at the annual general meeting of the Company held on 23 May 2013 (the "AGM"). CCIF CPA Limited had merged its business with PCP CPA Limited in October 2009 and resulting in Crowe Horwath (HK) CPA Limited operating as the merged firm. The Board considered that it is in the best interests of the Company and the shareholders of the Company (the "Shareholders") as a whole if the auditor was able to continue to serve the Company under the more internationally renowned name of Crowe Horwath (HK) CPA Limited, a member of Crowe Horwath International. Therefore, an ordinary resolution was proposed at the AGM to appoint Crowe Horwath (HK) CPA Limited as the new auditors of the Company to fill the vacancy arising from the retirement of CCIF CPA Limited, and the ordinary resolution was duly passed at the AGM.

For further details, please refer to the announcement of the Company in relation to proposed change of auditors dated 16 April 2013, the notice of AGM of the Company dated 17 April 2013 and the AGM poll results announcement of the Company dated 23 May 2013.

CHANGE OF PRINCIPAL SHARE REGISTRAR AND TRANSFER AGENT IN THE CAYMAN ISLANDS

The Company's principal share registrar and transfer agent in the Cayman Islands have been changed to Royal Bank of Canada Trust Company (Cayman) Limited with effect from 26 January 2013. For further details, please refer to the announcement of the Company dated 25 January 2013.

EVENTS AFTER THE REPORTING PERIOD

In order to comply with the amendments to the Listing Rules in relation to the diversity of the Board, which shall come into effect on 1 September 2013, amendments to the written terms of reference of the nomination committee of the Company have been passed on 29 August 2013.

Apart from the above, there were no other significant events since the end of the Reporting Period.

PURCHASE, SALE AND REDEMPTION OF THE COMPANY'S SECURITIES

During the Reporting Period, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

INTERIM DIVIDEND

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

CORPORATE GOVERNANCE

The Company had complied with all the code provisions as set out in the Corporate Governance Code (the “Code”) contained in Appendix 14 to the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) during the Reporting Period.

CODE OF CONDUCT REGARDING DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Listing Rules as its code of conduct regarding securities transactions by the Directors. All Directors have confirmed, following a specific enquiry by the Company, that they have complied with the required standard as set out in the Model Code throughout the Reporting Period.

AUDIT COMMITTEE

The audit committee of the Company (“Audit Committee”), comprises three independent non-executive Directors, namely Mr. Guo Qiang, Mr. Liu Jin Lu and Mr. Chen Wen Ping. Mr. Chen Wen Ping serves as the chairman of the Audit Committee. The Audit Committee is primarily responsible for reviewing and supervising the financial reporting process and internal control system of the Group as well as external auditor of the Group.

The Audit Committee has held a meeting to review the financial results and reports of the Group for the six months ended 30 June 2013. Financial controls, internal controls, risk management systems of the Group, had also been reviewed by the Audit Committee at the meeting.

The Audit Committee had reviewed this interim report and had confirmed that this interim report is complete, accurate and complies with all applicable rules and regulations, including but not limited to the Listing Rules.

REMUNERATION COMMITTEE

The Company established a remuneration committee (“Remuneration Committee”) on 25 April 2005, which comprises two independent non-executive Directors namely Mr. Guo Qiang and Mr. Chen Wen Ping and one executive Director, namely Mr. Chen Jun. Mr. Chen Wen Ping serves as the chairman of the Remuneration Committee.

The principal responsibilities of the Remuneration Committee include making recommendations to the Board on the Company’s policy and structure for all Directors’ and senior management remuneration, reviewing and approving management’s remuneration proposal by reference to corporate goals and objectives resolved by the Board from time to time. No individual Director or any of his/her associates is allowed to involve in deciding his/her own remuneration.

NOMINATION COMMITTEE

The Company established a nomination committee (the “Nomination Committee”) on 28 March 2012, which comprises two independent non-executive Directors, namely Mr. Chen Wen Ping and Mr. Guo Qiang and one executive Director, namely Mr. Chen Jun (Chairman).

Under the term of reference, the Nomination Committee will be responsible for, including but not limited to

- review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company’s corporate strategy;
- identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships;
- assess the independence of independent non-executive Directors; and
- make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the chairman and the chief executive.

In order to comply with the amendments to the Listing Rules in relation to the diversity of the Board, which shall come into effect on 1 September 2013, amendments to the written terms of reference of the nomination committee of the Company have been passed on 29 August 2013.

DISCLOSURE OF INTERESTS

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 30 June 2013, interests and 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 Securities and Futures Ordinance ("SFO")) held by the Directors and chief executives of the Company which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO) or have been entered in the register maintained by the Company pursuant to section 352 of the SFO, or otherwise have been notified to the Company and the Stock Exchange pursuant to the Model Code are as follows:

A) Long Positions in ordinary Shares

Name of Directors	Capacity/Nature	Number of Shares interested/held	Approximate shareholding percentage
Mr. Chen Jun	Interest of a controlled corporation (Note)	108,042,781	49.78%
	Beneficial owner	5,525,000	2.55%
		113,567,781	52.33%

Note:

Mr. Chen Jun is the beneficial owner of 100% of the issued shares in Fine Mean Investments Limited, and therefore, Mr. Chen Jun is deemed, or taken to be, interested in the shares of the Company which are beneficially owned by Fine Mean Investments Limited for the purposes of the SFO.

B) Long Positions in shares of associated corporations

Name of Directors	Name of the associated corporation	Capacity	Number of Shares interested/held	Approximate shareholding percentage
Mr. Chen Jun	Fine Mean Investments Limited	Beneficial owner	1	100%

Save as disclosed above, as at 30 June 2013, none of the Directors nor 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) as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDER'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2013, as far as is known to the Directors, the following persons (other than a Director or chief executive of the Company) had interests or short positions in the Shares or underlying Shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Long Positions in ordinary shares of the Company

Name	Capacity/Nature	Number of Shares interested/held	Approximate shareholding percentage
-------------	------------------------	---	--

Substantial Shareholder

Fine Mean Investments Limited (Note 1)	Beneficial owner	108,042,781	49.78%
Ms. Su Haiqing (Note 2)	Interest of spouse	113,567,781	52.33%

SUBSTANTIAL SHAREHOLDER (CONTINUED)

Notes:

- (1) Fine Mean Investments Limited is wholly-owned by Mr. Chen Jun. Mr. Chen Jun is the sole director of Fine Mean Investments Limited.
- (2) Ms. Su Haiqing is the spouse of Mr. Chen Jun. Under the SFO, Ms. Su Haiqing is deemed or taken to be interested in all the 113,567,781 Shares in which Mr. Chen Jun is interested.

Save as disclosed above, as at 30 June 2013, the Company had not been notified of any other persons (other than a Director and chief executive of the Company) who had an interest or short position in the Shares and underlying Shares as recorded in the register required to be kept under section 336 of the SFO.

SHARE OPTION SCHEME

Pursuant to a share option scheme approved by a resolution of the shareholders of the Company dated 27 July 2004 (the "Scheme"), the Company may grant options to the directors, employees and shareholders of the Company or its subsidiaries and consultants, customers and suppliers, for the recognition of their contributions to the Group, to subscribe for Shares with a payment of HK\$1.00 upon each grant of options offered and the options granted must be taken up within 28 days from the date of grant. The exercise price of the share option will be determined at the higher of the average of closing prices of Shares on the Stock Exchange on the five trading days immediately preceding the date of grant of the option; the closing price of the Shares on the Stock Exchange on the date of grant and the nominal value of the Shares.

The share options are exercisable at any time during a period of not more than 10 years from the date of grant, subject to the terms and conditions of the Scheme, the relevant PRC laws and regulations and any conditions of grant as may be stipulated by the Board.

SHARE OPTION SCHEME *(CONTINUED)*

The maximum number of Shares in respect of which options may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other schemes shall not exceed 30% of the number of shares of the Company in issue from time to time. The total number of Shares which may be issued upon exercise of all options to be granted under the Scheme and any other schemes must not, in aggregate, exceed 10% of the number of shares of the Company in issue as at the date of approval of the Scheme unless further shareholders' approval has been obtained pursuant to the conditions set out in the Scheme. No person shall be granted an option which, if all the options granted to the person (including both exercised and outstanding options) in any 12 months period up to the date of grant are exercised in full, would result in such person's maximum entitlement exceeding 1% of the number of issued Shares.

At 30 June 2013, there were no outstanding share options of the Company and no share option of the Company was granted, lapsed or cancelled during the Reporting Period under the Scheme.

By Order of the Board

CHEN Jun

Chairman

Qingdao City, Shandong Province, the PRC
29 August 2013