



# 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

# 2014

\* for identification purposes only

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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 (CPA)

### 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 Solicitors

### AUTHORISED REPRESENTATIVES

CHEN Jun  
ZHAO Yun

### STOCK CODE

02379

### COMPANY'S WEBSITE

[www.irasia.com/listco/hk/zhongtian](http://www.irasia.com/listco/hk/zhongtian)

### PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suites 2001-06, 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  
Hua Xia Bank  
Nanjing Road Sub-branch  
Qingdao  
The Hongkong and Shanghai Banking  
Corporation Limited

### HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited  
Level 22, Hopewell Centre,  
183 Queen's Road East,  
Hong Kong.

### PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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 ("PRC")

## 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 2014 (the “Reporting Period”), together with the comparative figures for the corresponding period in 2013 as follows:

### CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2014

		Unaudited Six months ended 30 June	
	Notes	2014 RMB'000	2013 RMB'000
Turnover	2	4,792	1,696
Cost of sales		<b>(3,965)</b>	(1,197)
Gross profit		<b>827</b>	499
Other operating income	3	<b>2</b>	203
General and administrative expenses		<b>(2,313)</b>	(2,155)
Loss before income tax	4	<b>(1,484)</b>	(1,453)
Income tax	5	–	–
Loss for the period		<b>(1,484)</b>	(1,453)
Attributable to:			
Equity holders of the Company		<b>(1,484)</b>	(1,453)

**Unaudited**  
**Six months ended 30 June**

	Notes	2014 RMB'000	2013 RMB'000
Total comprehensive loss for the period		(1,484)	(1,453)
Attributable to:			
Equity holders of the Company		(1,484)	(1,453)
Loss per share (RMB Cents)	7		
– Basic		(0.68)	(0.67)
– Diluted		(0.68)	(0.67)

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2014

	Notes	Unaudited 30 June 2014 RMB'000	Audited 31 December 2013 RMB'000
<b>NON-CURRENT ASSETS</b>			
Fixed assets		8,795	8,893
Investment properties	8	44,500	44,500
		<b>53,295</b>	53,393
<b>CURRENT ASSETS</b>			
Trade and other receivables	9	15,000	10,617
Cash and bank balances		51,551	50,319
		<b>66,551</b>	60,936
<b>CURRENT LIABILITIES</b>			
Trade and other payables	10	14,319	9,121
Amounts due to Directors		3,265	1,462
Income tax payable		1,371	1,371
		<b>18,955</b>	11,954
<b>NET CURRENT ASSETS</b>		<b>47,596</b>	48,982
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>100,891</b>	102,375
<b>NON-CURRENT LIABILITIES</b>			
Deferred tax liabilities		9,616	9,616
<b>NET ASSETS</b>		<b>91,275</b>	92,759
<b>CAPITAL AND RESERVES</b>			
Share capital	11	2,073	2,073
Reserves		89,202	90,686
<b>TOTAL EQUITY</b>		<b>91,275</b>	92,759

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2014

	Share capital RMB'000	Share premium RMB'000	Warrant Reserve RMB'000	Property revaluation reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
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
At 1 January 2014	2,073	146,801	315	1,652	(58,082)	92,759
Net loss for the period	–	–	–	–	(1,484)	(1,484)
At 30 June 2014	2,073	146,801	315	1,652	(59,566)	91,275

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

For the six months ended 30 June 2014

	Unaudited Six months ended 30 June	
	2014 RMB'000	2013 RMB'000
Net cash generated from operating activities	1,232	28,153
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>1,232</b>	<b>28,153</b>
Cash and cash equivalents at beginning of the period	50,319	26,418
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD, REPRESENTED BY CASH AND BANK BALANCES</b>	<b>51,551</b>	<b>54,571</b>



# NOTES TO CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

## 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 2013.

### 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 2013, 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 to HKAS 32	Offsetting financial assets and financial liabilities
Amendments to HKAS 36	Recoverable amount disclosures for non-financial assets
Amendments to HKAS 39	Novation of derivatives and continuation of hedge accounting

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	
	2014 RMB'000	2013 RMB'000
Turnover		
Information technology	4,163	1,282
Property investment	629	414
	<b>4,792</b>	1,696
Segment results		
Information technology	198	85
Property investment	629	414
	<b>827</b>	499
Unallocated other operating income	2	203
Unallocated corporate expenses	(2,313)	(2,155)
Loss before income tax	<b>(1,484)</b>	(1,453)
Income Tax	–	–
Loss for the period	<b>(1,484)</b>	(1,453)

## 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	
	2014 RMB'000	2013 RMB'000
Interest income on bank deposits	2	203

## 4. LOSS BEFORE INCOME TAX

Loss before income tax has been arrived at after charging:

	Unaudited Six months ended 30 June	
	2014 RMB'000	2013 RMB'000
Cost of inventories sold	3,965	1,197
Depreciation of property, plant and equipment	98	303

## 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% (2013: 25%).

## 6. DIVIDENDS

The Directors do not recommend the payment of any interim dividend for the six months ended 30 June 2014 (six months ended 30 June 2013: 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 2014 of approximately RMB1,484,000 (six months ended 30 June 2013: loss of approximately RMB1,453,000) and weighted average number of ordinary Shares in issue during the six months ended 30 June 2014 of 217,029,122 (six months ended 30 June 2013: 217,029,122).

There were no dilutive potential Shares for the six months period ended 30 June 2014 and 30 June 2013, and diluted loss per Share is the same as basic loss per share.

## 8. INVESTMENT PROPERTIES

	Unaudited 30 June 2014 RMB'000	Audited 31 December 2013 RMB'000
Investment properties, at fair value	44,500	44,500

## 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 2014.

## 9. TRADE AND OTHER RECEIVABLES

Trade and other receivables of RMB15,000,000 (31 December 2013: RMB10,617,000) include trade receivables of RMB14,829,000 (31 December 2013: RMB10,515,000).

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:

	<b>Unaudited 30 June 2014 RMB'000</b>	<b>Audited 31 December 2013 RMB'000</b>
0-30 days	<b>4,976</b>	6,265
31-60 days	<b>105</b>	250
61-90 days	<b>105</b>	3,600
91-180 days	<b>314</b>	–
181-365 days	<b>9,329</b>	133
Over 365 days	<b>–</b>	267
	<b>14,829</b>	10,515

## 10. TRADE AND OTHER PAYABLES

Trade and other payables of RMB14,319,000 (31 December 2013: RMB9,121,000) include trade payables of RMB10,726,000 (31 December 2013: RMB6,087,000).

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

	<b>Unaudited 30 June 2014 RMB'000</b>	<b>Audited 31 December 2013 RMB'000</b>
0-30 days	<b>4,639</b>	2,587
31-60 days	–	–
61-90 days	–	–
91-180 days	–	–
181-365 days	<b>2,587</b>	3,500
Over 365 days	<b>3,500</b>	–
	<b>10,726</b>	6,087

## 11.SHARE CAPITAL

	Number of shares		Share capital	
	30 June 2014 '000	31 December 2013 '000	30 June 2014 HK\$'000	31 December 2013 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 2014/2013 and at 30 June 2014/31 December 2013	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 24 July 2014.



## 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.

#### 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 relatively high output comparing with the relatively 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 business segment is keen and the overall costs for exploring new customers has increased, the Group is fully aware of the fact that this business segment 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 2014 was approximately RMB4,792,000, representing a significant increase of approximately 183% from approximately RMB1,696,000 for the corresponding period ended 30 June 2013. This was mainly attributable to the growth in sales of intelligent electronic products in the segment of information technology. The gross profit margin decreased by 12% from 29% in 2013 to 17% in 2014. The major reason was mainly due to the decrease in proportional contribution from 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 2014 (30 June 2013: Nil).

#### General and Administrative Expenses

The Group's general and administrative expenses for the six months ended 30 June 2014 were approximately RMB2,313,000 (corresponding period ended 30 June 2013: approximately RMB2,155,000) representing an increase of approximately 7% over the corresponding period ended 30 June 2013. This was mainly attributable to the increase in staff cost.

#### Net Loss

During the Reporting Period, the Group recorded a net loss of approximately RMB1,484,000, which increased by approximately 2% as compared to the net loss of approximately RMB1,453,000 for the corresponding period ended 30 June 2013. The increase of net loss was mainly attributable to the decline in bank interest income and increase in staff cost relative to the corresponding period ended 30 June 2013.

## **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 87% of the total turnover of the Group whereas the rental income from property investment segment accounted for approximately 13% 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 electronic 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 segment, 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 2014, 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 2013: 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 2014, the Group had cash and bank balances of approximately RMB51,551,000 (31 December 2013: approximately RMB50,319,000) of which 99.7% and 0.3% 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 2013: 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**

The Group had no material pledge of assets and contingent liabilities as at 30 June 2014 (31 December 2013: Nil).

## **EMPLOYEES AND REMUNERATION POLICY**

As at 30 June 2014, the Group had 8 employees (30 June 2013: 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 2014 was approximately RMB299,000 (30 June 2013: approximately RMB195,000).

## **CHANGE OF PRINCIPAL PLACE OF BUSINESS IN HONG KONG**

The principal place of business of the Company in Hong Kong has been changed to Suites 2001-2006, 20th Floor, Jardine House, 1 Connaught Place, Central, Hong Kong with effect from 10 June 2014. For further details, please refer to the announcement of the Company dated 10 June 2014.

## **EVENTS AFTER THE REPORTING PERIOD**

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 2014 (six months ended 30 June 2013: 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 had held a meeting to review the financial results and reports of the Group for the six months ended 30 June 2014. 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 Remuneration Committee had made 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. 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).

During the period, the Nomination Committee had

- reviewed 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;
- identified individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships;
- assessed the independence of independent non-executive Directors; and
- made 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.

## DISCLOSURE OF INTERESTS

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

As at 30 June 2014, 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 2014, 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 2014, 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 2014, 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 2014, 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  
24 July 2014