中國包裝集團有限公司

China Packaging Group Company Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 572)

Interim Report 2014

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. He Jianhong *(Chairman)*
(position, duties and functions suspended from 27 January 2014)
Mr. Zhang Zhantao
(position, duties and functions suspended from 6 March 2014)
Mr. Siu Yun Fat
Mr. Lau Fai Lawrence

Independent Non-Executive Directors

Mr. Chan Yee Por Simon
Mr. Siu Siu Ling, Robert
Mr. Tam Tak Wah

AUDIT COMMITTEE

Mr. Tam Tak Wah *(Chairman)*
Mr. Chan Yee Por Simon
Mr. Siu Siu Ling, Robert

REMUNERATION COMMITTEE

Mr. Chan Yee Por Simon *(Chairman)*
Mr. Siu Siu Ling, Robert
Mr. Tam Tak Wah

NOMINATION COMMITTEE

Mr. Chan Yee Por Simon *(Chairman)*
Mr. Siu Siu Ling, Robert
Mr. Tam Tak Wah

COMPANY SECRETARY

Mr. Lau Cheuk Pun

SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
17M Floor, Hopewell Centre
183 Queen's Road East
Wan Chai, Hong Kong

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Unit 912, 9th Floor
New East Ocean Centre
9 Science Museum Road
Kowloon, Hong Kong

REGISTERED OFFICE

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

AUDITOR

ZHONGLEI (HK) CPA Company Limited
Suites 313-316, 3/F., Shui On Centre
6-8 Harbour Road
Wanchai
Hong Kong

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited

COMPANY WEBSITE

http://www.cpackaging.com.hk

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS AND FINANCIAL REVIEW

The Company is an investment holding company. The Group is principally engaged in (i) trading business; (ii) trading of securities; and (iii) manufacture and sale of tinplate cans for the packaging of beverage in Shanxi, the People's Republic of China (the "**PRC**").

The Company has been focusing its resources on new opportunities in trading business and trading of listed securities after the deconsolidation of Shanxi Zhanpen Metal Products Co., Ltd.（山西展鵬金屬製品有限公司）("**Zhanpen**"), an indirect wholly-owned subsidiary of the Company, and Bloxworth Enterprise Limited ("**Bloxworth**"), an immediate holding company of Zhanpen and direct wholly-owned subsidiary of the Company, from its financial statements. For more information regarding Zhanpen and Bloxworth, please refer to below and to the Company's announcement dated 25 March 2014.

Since November 2013, Mr. He Jianhong's ("**Mr. He**") was continually absent from the Company without cause. Moreover, as disclosed under the section headed Note 16 to this report, Mr. He is one of the defendants of the alleged claim. The Board decided that it is in the best interest of the Company and shareholders as a whole to suspend all positions, functions and duties held by Mr. He with effect from 27 January 2014. For details, please refer to the Company's announcement dated 28 January 2014.

The Board has conducted due diligence reviews of major projects and transactions of the Company further to the suspension of the positions, functions and duties held by Mr. He since January 2014. Despite repeated verbal and written requests, the Board has been unable to contact the legal representative, directors and management of Zhanpen, and obtain and access the books and records of Zhanpen and Bloxworth.

Due to the non-cooperation of the management of Zhanpen and Bloxworth and the continued absence of Mr. He, who was also responsible for liaising with the abovementioned subsidiaries, the Board was unable to access to the books and records of Zhanpen and Bloxworth despite the fact that the Board has taken all reasonable steps and has used its best endeavors to resolve the matter.

On 25 March 2014, after all reasonable steps have been taken but to no avail, the Board resolved that the Group no longer had the power to govern the financial and operating policies of Zhanpen and Bloxworth, and the control over Zhanpen and Bloxworth was lost on that date. Given the situation described above, the Board is of the view that the Group does not have the necessary books and records to prepare accurate and complete financial statements for Zhanpen and Bloxworth. The Group therefore deconsolidated Zhanpen and Bloxworth (the "**Deconsolidated Subsidiaries**") from its financial statements since 1 January 2013 (the "**Deconsolidation**"). As such, the results of the Deconsolidated Subsidiaries up to 24 March 2014 have not been included into the condensed consolidated financial statements of the Group.

During the period ended 30 June 2014, although the Company has obtained Bloxworth's statutory records and changed all board members of Bloxworth, the Company was still unable to access to the books and records of Bloxworth. Moreover, the Company has engaged a PRC legal adviser to advise on the necessary actions to retain the control of Zhanpen.

The loss attributable to owners of the Company for the six months ended 30 June 2014 amounted to approximately RMB6,387,000, a reduction of approximately RMB37,217,000 or 85.4% when compared to the restated net loss for the corresponding period of last year. Basic loss per ordinary share was approximately RMB0.003 for the six months ended 30 June 2014 (six months ended 30 June 2013 restated: RMB0.039).

In regard to the operational front, the Group recorded a turnover of approximately RMB16,241,000 for the six months ended 30 June 2014, representing an increase of 10,873.6% compared with the restated corresponding period of last year. The increase in turnover was resulted from both the increase in trading business and trading of listed securities.

IMPORTANT EVENTS AND PROSPECTS

Following the Deconsolidation and the events disclosed in Notes 16(a) and 16(b) to this report, the management of the Company has engaged an external independent audit firm to review the internal control of the Company. The internal control review is expected to be completed during the second half of the year. The management of the Company has also focused its resources on exploring opportunities in trading business and trading of listed securities so as to create long-term value for shareholders. The Board believes that the business performance of the Group will be improved.

During the six months ended 30 June 2014, the Group has conducted trading business for health products with revenue of approximately RMB11,011,000. The Group will continue to explore this trading business including but not limited to health products in order to diversify the products portfolio.

The Group will continue to identify other potential suppliers. In respect of the trading business in the PRC, in particular, metal trading, the Group has on-going contact with potential suppliers and customers. The Group is planning to set up its own office in the PRC so as to deploy local sales and purchase, or alternatively, the Group may use overseas/offshore company and conclude business on an indent commission basis.

For the segment of trading of securities, the Group's trading portfolio comprised of securities listed on The Stock Exchange of Hong Kong Limited during the six months ended 30 June 2014. The Group identified its investments based on the share price, the gain potential and the future prospect of the investments. The Group is optimistic on the growth in China and believe that Hong Kong would also be benefited. Therefore, it is expected that the Group will continue to invest in the Hong Kong equity market by enhancing the use of the surplus working capital and will continue to seek attractive investment opportunities with the aim of deriving dividend income and/or gain from trading of listed securities.

The Group is optimistic that the trading business and trading of listed securities will have positive gross profit and will generate positive cash flow from operation in the coming years.

Other than the existing business as named hereinabove which is on an on-going basis, the management will explore other business opportunities to diversify its trading business portfolio with a view to broaden its income stream which shall be in the best interests of the Company and its shareholders as a whole.

On 24 July 2014, the Company granted share options to certain eligible persons to subscribe for the total of 131,200,000 ordinary shares at the exercise price of HK$0.1164 per share of the Company. Further details of the grant of share option were set out in the announcement dated 24 July 2014.

LIQUIDITY, FINANCIAL, RESOURCES AND FUNDING AFTER DECONSOLIDATION

The Group had total cash and bank balances of approximately RMB30,663,000 as at 30 June 2014 (31 December 2013: RMB85,000). The gearing ratio, which is calculated as total debt (including current and non-current liabilities) divided by total equity, was nil as the Group has no borrowing at the end of the reporting period (31 December 2013: Nil). Net assets were approximately RMB38,715,000 (31 December 2013: Net liabilities RMB2,122,000).

The Group recorded total current assets of approximately RMB56,066,000 as at 30 June 2014 (31 December 2013: RMB14,504,000) and total current liabilities of approximately RMB17,889,000 (31 December 2013: RMB17,222,000). The current ratio of the Group, calculated by dividing total current assets by total current liabilities, was about 3.13 as at 30 June 2014 (31 December 2013: 0.84). The increase of current assets and current ratio was due to the Group successfully raised funds of approximately HKD17,745,000 before expenses from placing completed in April 2014 and funds of approximately HKD43,807,000 before expenses from open offer completed in June 2014. These funds have significantly strengthened the financial position and enhanced the liquidity of the Group.

The Group's finance costs for the period under review was approximately RMB53,000 (six months ended 30 June 2013 restated: RMB639,000) in relation to interest paid on the working capital loan obtained in the first quarter of the year. The loan was fully settled during the six months ended 30 June 2014.

The Group recorded a loss attributable to owners of the Company of approximately RMB6,387,000 (six months ended 30 June 2013 restated: RMB43,604,000, including loss from deconsolidation of subsidiaries of approximately RMB38,323,000).

Foreign Currency Management

The Group has minimal exposure to foreign currency risks as most of its business transactions, assets and liabilities are principally denominated in Hong Kong dollars and Renminbi.

The Group currently does not have a foreign currency hedging policy in respect of its foreign currency assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider hedging foreign currency exposure if necessary.

Pledge of Assets

As 30 June 2014, the Group did not have any pledged assets.

LITIGATIONS AND CONTINGENCIES

Details of litigations and contingencies are set out in Note 16 to the condensed consolidated financial statement.

EMPLOYEES AND REMUNERATION POLICIES

At 30 June 2014, the Group had 8 employees including executive Directors (31 December 2013: 10) situated in the PRC and Hong Kong. The Group's emoluments policies are formulated based on industry practices and performance of individual employees. For the six months ended 30 June 2014, the total staff costs including remuneration of Directors and chief executive amounted to approximately RMB1,371,000 (six months ended 30 June 2013 restated: RMB3,630,000).

INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend for the six months ended 30 June 2014 (six months ended 30 June 2013: Nil).

INDEPENDENT AUDITOR'S REVIEW REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

中磊（香港）會計師事務所有限公司
ZHONGLEI (HK) CPA Company Limited

TO THE BOARD OF DIRECTORS OF
CHINA PACKAGING GROUP COMPANY LIMITED
中國包裝集團有限公司
(incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the condensed consolidated financial statements of China Packaging Group Company Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") set out on pages 12 to 36, which comprise the condensed consolidated statement of financial position as of 30 June 2014 and the related condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("**HKAS 34**") issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company (the "**Directors**") are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

Except for the limitation in the scope of our work as explained below, we conducted our review in accordance with the Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" ("**HKSRE 2410**") issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

BASIS FOR DISCLAIMER OF CONCLUSION

Opening balances and corresponding figures

Our audit opinion on the consolidated financial statements of the Group for the year ended 31 December 2013 (the "**2013 Financial Statements**"), which forms the basis for the corresponding figures presented in the current period's condensed consolidated statement of financial position and related explanatory notes, was disclaimed because of the significance of the possible effect of the limitations on the scope of our audit, details of which are set out in our audit report dated 31 March 2014. Any adjustments found to be necessary to the opening balances as at 1 January 2014 may affect the results and related disclosures in the notes to the condensed consolidated financial statements of the Group for the six months ended 30 June 2014. The comparatives amounts show in the condensed consolidated statement of financial position and related explanatory notes may not be comparable with the amount for the current period.

Deconsolidation of the subsidiaries

As disclosed in Note 2 to the condensed consolidated financial statements for the six months ended 30 June 2014 and 2013 Financial Statements, certain subsidiaries of the Company were deconsolidated from the Group (the "**Deconsolidated Subsidiaries**") since 1 January 2013. No sufficient evidence has been provided to satisfy ourselves as to whether the Company had lost control on the Deconsolidated Subsidiaries since 1 January 2013 and up to 24 March 2014.

Accordingly, no sufficient evidence has been provided to satisfy ourselves, in relation to the Deconsolidated Subsidiaries, as to the completeness of the transactions and balances of the Group for the six months ended 30 June 2014 and the Group's financial position as at 30 June 2014.

Impairment assessment of other receivables

As disclosed in Note 12 to the condensed consolidated financial statements, included in the Group's trade and other receivables, net of allowance for doubtful debts, of approximately RMB25,403,000 as at 30 June 2014, was due from a debtor of approximately RMB14,115,000 (equivalent to approximately HKD17,616,000). We were unable to perform sufficient review procedures that we consider necessary and there were no other alternative review procedures that we could perform in order to assess whether such receivable could be recovered in full or to determine the amount of impairment, if any. Any adjustments to the amount of the above other receivable found to be necessary would affect the Group's net current assets and net assets as at 30 June 2014 and the Group's loss for the six-month period then ended and related note disclosures to the condensed consolidated financial statements.

Balance with Bloxworth Enterprise Limited ("Bloxworth")

At 30 June 2014, the balance of approximately RMB2,458,000 being an amount due to Bloxworth, being one of the Deconsolidated Subsidiaries. We were unable to obtain supporting evidence to satisfy ourselves as to whether the balance is free from material misstatement. There were no other alternative review procedures that we could carry out to obtain sufficient and appropriate evidence to verify the accuracy and completeness of this balance as at 30 June 2014. Accordingly, we were unable to satisfy ourselves as to whether the amount due to Bloxworth were fairly stated, which would have a consequential effect on net current assets and net assets of the Group as at 30 June 2014 and the Group's loss for the six-month ended and related note disclosures to the condensed consolidated financial statements.

Balance of the amount due to a substantial shareholder

At 30 June 2014, the balance of approximately RMB12,232,000 being an amount due to a substantial shareholder, Able Success Asia Limited ("**Able Success**"). As detailed in 2013 Financial Statements, Mr. He Jianhong's position as the chairman and executive director of the board of directors of the Company was suspended with effect from 27 January 2014. We were unable to perform sufficient review procedures to satisfy ourselves as to whether the balance is free from material misstatement. There were no other alternative review procedures that we could carry out to obtain sufficient and appropriate review evidence to verify the accuracy and completeness of this balance as at 30 June 2014.

Accordingly, we were unable to satisfy ourselves as to whether the amount due to a substantial shareholder were fairly stated, which would have a consequential effect on net current assets and net assets of the Group as at 30 June 2014 and the Group's loss for the six-month period then ended and related note disclosures to the condensed consolidated financial statements.

DISCLAIMER OF CONCLUSION

Because of the significance of the matters described in the Basis for Disclaimer of Conclusion paragraphs as described above, we do not express any conclusion as to whether the condensed consolidated financial statements for the six months ended 30 June 2014 is prepared, in all material respects, in accordance with HKAS 34.

OTHER MATTER

The condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows and the relevant explanatory notes for the six months ended 30 June 2013 disclosed in these interim financial statements have not been reviewed in accordance with HKSRE 2410.

ZHONGLEI (HK) CPA Company Limited
Certified Public Accountants (Practising)
Lam Chik Tong
Practising Certificate Number: P05612

Suites 313-316, 3/F., Shui On Centre
6-8 Harbour Road
Wanchai
Hong Kong

31 August 2014

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2014

	Notes	Six months ended 30 June 2014 RMB'000 (Unaudited)	2013 RMB'000 (Unaudited) (Restated)
Turnover – gross proceeds	*4*	**16,241**	148
Revenue	*5*	**11,065**	148
Cost of sales		**(10,431)**	–
Gross profit		**634**	148
Other revenue		**–**	1,315
Administrative expenses		**(6,968)**	(6,105)
Loss on deconsolidation of subsidiaries	*14*	**–**	(38,323)
Operating loss		**(6,334)**	(42,965)
Finance costs	*6*	**(53)**	(639)
Loss before income tax		**(6,387)**	(43,604)
Income tax expenses	*7*	**–**	–
Loss for the period attributable to owners of the Company	*8*	**(6,387)**	(43,604)
Other comprehensive expense			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of financial statements of foreign operations		**(150)**	(92)
Total comprehensive expense for the period attributable to owners of the Company		**(6,537)**	(43,696)
			(Restated)
Loss per share attributable to owners of the Company	*10*		
– Basic and diluted		**(RMB0.003)**	(RMB0.039)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2014

	Notes	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
Non-current asset			
Property, plant and equipment	11	538	596
Current assets			
Trade and other receivables	12	25,403	14,419
Cash and bank balances		30,663	85
		56,066	14,504
Current liabilities			
Other payables		2,951	2,728
Amount due to a related party		248	171
Amount due to a substantial shareholder		12,232	11,927
Amount due to a deconsolidated subsidiary		2,458	2,396
		17,889	17,222
Net current assets (liabilities)		38,177	(2,718)
Net assets (liabilities)		38,715	(2,122)
Capital and reserves			
Share capital	13	2,651	1,637
Reserves		36,064	(3,759)
Total equity (deficits)		38,715	(2,122)

The condensed consolidated financial statements on the pages from 12 to 36 were approved and authorised for issue by the board of directors on 31 August 2014 and are signed on its behalf by:

Siu Yun Fat	**Lau Fai Lawrence**
Director	*Director*

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2014

	Share capital RMB'000 (Note 13)	Share premium RMB'000 (Note a)	Share options reserve RMB'000 (Note b)	Convertible loan notes equity reserve RMB'000	Translation reserve RMB'000	Surplus reserve fund RMB'000 (Note c)	Accumulated losses RMB'000	Total RMB'000
At 1 January 2013 (Audited)	720	77,085	938	7,629	26	9,222	(48,447)	47,173
Loss for the period (Restated)	–	–	–	–	–	–	(43,604)	(43,604)
Other comprehensive expenses								
Items that may be reclassified subsequently to profit or loss:								
Exchange differences arising on translation of financial statements of foreign operations (Restated)	–	–	–	–	(92)	–	–	(92)
Total comprehensive expense for the period (Restated)	–	–	–	–	(92)	–	(43,604)	(43,696)
Issuance of shares upon exercise of convertible loan notes	124	16,506	–	(7,629)	–	–	–	9,001
Release of reserves upon deconsolidation of subsidiaries *(Note 14)*	–	–	–	–	1,101	(9,222)	–	(8,121)
At 30 June 2013 (Unaudited) (Restated)	844	93,591	938	–	1,035	–	(92,051)	4,357
At 1 January 2014 (Audited)	1,637	92,798	938	–	907	–	(98,402)	(2,122)
Loss for the period	–	–	–	–	–	–	(6,387)	(6,387)
Other comprehensive expenses								
Items that may be reclassified subsequently to profit or loss:								
Exchange differences arising on translation of financial statements of foreign operations	–	–	–	–	(150)	–	–	(150)
Total comprehensive expense for the period	–	–	–	–	(150)	–	(6,387)	(6,537)
Issuance of shares upon placing	135	14,059	–	–	–	–	–	14,194
Transaction costs attributable to the placing	–	(237)	–	–	–	–	–	(237)
Issuance of shares upon open offer	879	34,293	–	–	–	–	–	35,172
Transaction costs attributable to the open offer	–	(1,755)	–	–	–	–	–	(1,755)
At 30 June 2014 (Unaudited)	**2,651**	**139,158**	**938**	**–**	**757**	**–**	**(104,789)**	**38,715**

Notes:

a) Under the Companies Law (Revised) Chapter 22 of the Cayman Islands, the share premium of the Company is available for paying distributions or dividends to shareholders subject to the provisions of its Memorandum or Articles of Associations and provided that immediately following the distribution or dividends, the Company is able to pay its debts as they fall due in the ordinary course of business.

b) Share options reserve represents the portion of the fair value of unexercised share options granted under the share option scheme at the grant date.

c) According to the relevant enterprises regulations in the People's Republic of China (the "**PRC**"), Shanxi Zhanpen Metal Products Co., Ltd. ("**Zhanpen**"), a subsidiary of the Company for the year ended December 2012 which was established in the PRC, is required to transfer not less than 10% of their profit after taxation to surplus reserve until the balance reaches 50% of its registered capital, as determined under accounting principles generally accepted in the PRC. The surplus reserve fund can be used to make up for previous year's losses, expand the existing operations or convert into additions capital of the subsidiary. On 1 January 2013, the Group deconsolidated Zhanpen and therefore released the reserve upon deconsolidation during the year ended 31 December 2013.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2014

	Six months ended 30 June	
	2014	2013
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
		(Restated)
Net cash flows used in operating activities	**(16,743)**	(9,407)
NET CASH USED IN INVESTING ACTIVITIES		
Purchase of property, plant and equipment	**–**	(1,224)
Net cash outflow from deconsolidation of subsidiaries	**–**	(771)
	–	(1,995)
NET CASH FROM FINANCING ACTIVITIES		
Increase in amount due to a substantial shareholder	**–**	379
Interest paid	**(53)**	–
Net proceeds from the Placing (as defined in Note 13)	**13,957**	–
Net proceeds from the Open Offer (as defined in Note 13)	**33,417**	–
	47,321	379
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**30,578**	(11,023)
Cash and cash equivalents at 1 January	**85**	11,217
Effect of foreign exchange rate changes, net	**–**	(109)
CASH AND CASH EQUIVALENTS AT 30 JUNE, represented by cash and bank balances	**30,663**	85

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

1. GENERAL

China Packaging Group Company Limited (the "**Company**") was incorporated as an exempted company with limited liability in the Cayman Islands on 21 October 2002 under the Companies Law of the Cayman Islands. The address of the registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The principal place of business is Unit 912, 9th Floor, New East Ocean Centre, 9 Science Museum Road, Kowloon, Hong Kong. The shares of the Company are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

The Company is an investment holding company. The Company and its subsidiaries (hereinafter collectively referred to as the "**Group**") are principally engaged in the trading business and related services, securities trading and investment and manufacture and sale of tinplate cans for the packaging of beverage in the People's Republic of China (the "**PRC**").

The condensed consolidated financial statements are presented in Renminbi ("**RMB**"). Other than the Company and those subsidiaries established in the Hong Kong whose functional currencies are Hong Kong dollars ("**HKD**"), the functional currency of its subsidiaries is RMB.

2. BASIS OF PREPARATION

a) General

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

2. BASIS OF PREPARATION (Continued)

b) Deconsolidation of two subsidiaries of the Company

Following the suspension of the position, functions and duties held by Mr. He Jianhong ("**Mr. He**"), the directors of the Company (the "**Directors**") conducted reviews on the major projects and transactions of the Company (the "**Review**"). During the Review, in view of the suspension of the position, functions and duties held by Mr. He since 27 January 2014, despite repeated verbal and written requests, the board of directors of the Company (the "**Board**") has been unable to contact the legal representative, directors and management of its indirect wholly owned subsidiary, Shanxi Zhanpen Metal Products Co. Limited.*（山西展鵬金屬製品有限公司）("**Zhanpen**"), the principal and operating subsidiary of the Company, and obtain and access to the books and records of Zhanpen and Bloxworth Enterprise Limited ("**Bloxworth**"), being an immediate holding company of Zhanpen and a direct wholly owned subsidiary of the Company (Zhanpen and Bloxworth are collectively referred to as the "**Deconsolidated Subsidiaries**").

Due to the non-cooperation of the directors and management of the Deconsolidated Subsidiaries and the continued absence of Mr. He from the Company, the Board has been unable to access to the books and records of the Deconsolidated Subsidiaries despite the fact that the Board has taken all reasonable steps and has used its best endeavors to resolve the matter. Accordingly, on 25 March 2014, the Board resolved that the Group no longer had the power to govern the financial and operating policies of the Deconsolidated Subsidiaries, and the control over the Deconsolidate Subsidiaries was lost on that date.

Given these circumstances, the Directors have not consolidated the financial statements of the Deconsolidated Subsidiaries in the consolidated financial statements of the Group since 1 January 2013. As such, the results of the Deconsolidated Subsidiaries up to 24 March 2014 have not been consolidated into the condensed consolidated statement of profit or loss and other comprehensive income of the Group and the consolidated financial information for the six months ended 30 June 2013 has been restated.

In the opinion of the Directors, the condensed consolidated financial statements of the Group for the six months ended 30 June 2014 and 30 June 2013 are prepared on the aforementioned basis present more fairly the results and state of affairs of the Group as a whole in light of the aforesaid inaccessible books and records of the Deconsolidated Subsidiaries.

2. BASIS OF PREPARATION (Continued)

b) Deconsolidation of two subsidiaries of the Company (Continued)

Restatement on 2013 in respect to the Deconsolidated Subsidiaries

The effects of the restatement on the condensed consolidated statement of profit or loss and other comprehensive income for the six months ended 30 June 2013 by line items are as follows:

	Six months ended 30 June 2013 *RMB'000*
Decrease in turnover	4,278
Increase in loss for the period	13,086
Decrease in other comprehensive expense for the period	6
Increase in total comprehensive expenses for the period attributable to owners of the Company	13,080

The effects of the restatement on the Group's basic loss per share for the prior period:

	Six months ended 30 June 2013 *RMB*
Basic loss per share after restatement of the weighted average number of ordinary shares of the Company	0.027
Effect on the deconsolidation of Deconsolidated Subsidiaries	0.012
	0.039

3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2014 are the same as those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2013.

In the current interim period, the Group has applied, for the first time, the following new interpretation and amendments to Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the HKICPA that are relevant for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities
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
HK(IFRIC)* – Interpretation 21	Levies

* *IFRIC represents the International Financial Reporting Interpretations Committee.*

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

4. TURNOVER

	Six months ended 30 June	
	2014	2013
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited) (Restated)
Income from trading business and related services	**11,011**	148
Gross proceeds from disposal of financial assets at fair value through profit or loss	**5,230**	–
Income from manufacture and sale of tinplate cans packaging business	**–**	–
	16,241	148

5. REVENUE AND SEGMENT INFORMATION

Revenue represents the gross proceeds received and receivable from i) trading business and related services, ii) securities trading and investment and iii) manufacture and sale of tinplate cans packaging business during the period.

Information reported to the executive directors of the Company, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on types of goods delivered or provided. No operating segments identified by the chief operating decision maker have been aggregated in arriving at the reportable segments of the Group.

During the six months ended 30 June 2014, "Securities trading and investment" became a new operating activity of the Group and it is separately assessed by the chief operating decision maker. Therefore, it is reported as a new reportable and operating segment.

Specifically, the Group's reportable and operating segments under HKFRS 8 are as follows:

– Trading business and related services

– Securities trading and investment

– Manufacture and sale of tinplate cans packaging business

5. REVENUE AND SEGMENT INFORMATION (Continued)

Segment revenues and results

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

	Trading business and related services		Securities trading and investment		Manufacture and sale of tinplate cans packaging business		Total	
	Six months ended 30 June		Six months ended 30 June		Six months ended 30 June		Six months ended 30 June	
	2014	2013	**2014**	2013	**2014**	2013	**2014**	2013
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
	(Unaudited)	(Unaudited) (Restated)	**(Unaudited)**	(Unaudited) (Restated)	**(Unaudited)**	(Unaudited) (Restated)	**(Unaudited)**	(Unaudited) (Restated)
Turnover	**11,011**	148	**5,230**	N/A	**–**	–	**16,241**	148
Revenue								
External sales	**11,011**	148	**54**	N/A	**–**	–	**11,065**	148
Segment (loss) profit	**(770)**	(1,704)	**22**	N/A	**–**	–	**(748)**	(1,704)
Unallocated corporate gain or revenue							**–**	1,315
Unallocated corporate expenses							**(5,586)**	(4,253)
Loss on deconsolidation of subsidiaries							**–**	(38,323)
Finance costs							**(53)**	(639)
Loss before income tax							**(6,387)**	(43,604)

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment (loss) profit represents the (loss) profit from each segment without allocation of central administration costs, directors' emoluments and finance costs. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

5. REVENUE AND SEGMENT INFORMATION (Continued)

Segment assets and liabilities

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

	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
Segment assets		
Trading business and related services	**25,261**	14,764
Securities trading and investment	**27**	–
Manufacture and sale of tinplate cans packaging business	**–**	–
Total segment assets	**25,288**	14,764
Unallocated corporate assets	**31,316**	336
Consolidated assets	**56,604**	15,100
Segment liabilities		
Trading business and related services	**4,147**	4,427
Securities trading and investment	**–**	–
Manufacture and sale of tinplate cans packaging business	**–**	–
Total segment liabilities	**4,147**	4,427
Unallocated corporate liabilities	**13,742**	12,795
Consolidated liabilities	**17,889**	17,222

For the purposes of monitoring segment performances and allocating resources between segments:

- all assets are allocated to operating segments other than certain other receivables and cash and bank balances; and
- all liabilities are allocated to operating segments other than certain other payables, amount due to a deconsolidated subsidiary and certain amount due to a substantial shareholder.

6. FINANCE COSTS

	Six months ended 30 June	
	2014	2013
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
		(Restated)
Effective interest expense on convertible loan notes	**–**	639
Interest expense on other borrowing	**53**	–
	53	639

7. INCOME TAX EXPENSES

Hong Kong profits tax is calculated at 16.5% of the estimated assessable profit for both periods. No Hong Kong profits tax has been provided for as the Group did not generate any assessable profits in Hong Kong for both periods.

Under the Law of the PRC on Enterprises Income Tax (the "**EIT Law**") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiary is 25% from 1 January 2008 onwards.

Pursuant to the PRC EIT Law which became effective on 1 January 2008, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in the PRC effective from 1 January 2008. On 22 February 2008, Caishui (2008) No. 1 was promulgated by the tax authorities to specify that dividends declared and remitted out of the PRC from the retained profits as at 31 December 2007 are exempted from withholding tax.

No PRC Enterprises Income Tax has been provided for as the Group did not generate any assessable profits in PRC for both periods.

8. LOSS FOR THE PERIOD

Loss for the period has been arrived at after charging:

	Six months ended 30 June	
	2014	2013
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited) (Restated)
Directors' and chief executives' emoluments	**882**	2,428
Other staff costs	**476**	1,128
Contributions to retirement benefits scheme, other than directors and chief executives	**13**	74
Total staff costs	**1,371**	3,630
Auditor's remuneration		
Non-audit services	**435**	102
Cost of inventories recognised as an expense	**10,431**	–
Depreciation of property, plant and equipment	**73**	114
Minimum lease payments in respect of operating lease of:		
– Premises	**378**	936
– Plant, machinery and office equipment	**4**	–

9. DIVIDEND

No dividend was paid, declared or proposed during the interim period. The Directors have determined that no dividend will be paid in respect of the interim period (six months ended 30 June 2013: Nil).

10. LOSS PER SHARE

The calculation of the basic loss per share attributable to owners of the Company is based on the loss for the period attributable to owners of Company of approximately RMB6,387,000 (six months ended 30 June 2013: RMB43,604,000 (restated)) and the weighted average number of ordinary shares of the Company in issue during the period approximately of 2,182,598,000 (six months ended 30 June 2013: 1,111,568,000 shares (restated)).

The weighted average number of ordinary shares used for the purpose of calculating loss per share for the period ended 30 June 2013 has been adjusted for the bonus issues on 6 November 2013 on the basis of one bonus share for every one existing share of HKD0.001 each.

Diluted loss per share for the periods ended 30 June 2014 and 2013 is same as the basic loss per share. The computation of diluted loss per share for the periods ended 30 June 2014 and 2013 does not assume the conversion of the Company's outstanding options since their exercise would result in a decrease in the loss per share.

11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2014, the Group did not have any additions for the property, plant and equipment (six months ended 30 June 2013: approximately RMB1.2 million (restated)).

12. TRADE AND OTHER RECEIVABLES

	Notes	**30 June 2014 *RMB'000* (Unaudited)**	31 December 2013 *RMB'000* (Audited)
Trade receivables	*(i)*	**9,998**	148
Less: Allowance for doubtful debts		**–**	–
		9,998	148
Receivables from Ease Faith Limited	*(ii)*	**14,115**	13,762
Other receivables, deposits and prepayments		**1,290**	509
Total trade and other receivables		**25,403**	14,419

12. TRADE AND OTHER RECEIVABLES (Continued)

Notes:

(i) Trade receivables

Trade receivables at the end of the reporting period comprise amounts receivable from the sales of goods supplied to customers and commission income for services rendered to customers. No interest is charged on the trade receivables.

During the six months ended 30 June 2014, the Group generally allows an average credit period of 90 to 120 days (31 December 2013: 120 days) to its customers. The following is an aged analysis of trade receivables net of allowance for doubtful debts presented based on the invoice date at the end of the reporting period, which approximated the respective revenue recognition dates:

	30 June 2014	31 December 2013
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
0 – 30 days	**6,229**	–
31 – 60 days	**–**	–
61 – 90 days	**523**	–
91 – 120 days	**3,246**	–
Over 120 days	**–**	148
	9,998	148

(ii) Receivable from Ease Faith Limited ("Ease Faith")

Following the suspension of the position, functions and duties held by Mr. He, the Directors conducted reviews of the major projects and transactions of the Company. During the course of the internal review (the "**Internal Review**"), the Company noted that, Great Rich Trading Limited ("**Great Rich**"), a wholly owned subsidiary of the Company, entered into two sales contracts with Ease Faith to purchase raw materials for the purpose of trading (the "**Sales Contracts**") and paid a deposit of approximately RMB14.1 million, equivalent to approximately of HKD17.7 million (the "**Receivable**") during the year ended 31 December 2013. Subsequently, Ease Faith failed to deliver the raw materials to Great Rich and is still holding the Receivable at the date of this report.

On 25 March 2014, Great Rich issued a writ of summons in the High Court of The Hong Kong Special Administrative Region (the "**High Court of Hong Kong**") as the plaintiff claiming against Ease Faith, the supplier in the Sales Contracts as the defendant, for breach of the Sales Contracts or alternatively, money had and received. For further information, please refer to Note 16(b).

13. SHARE CAPITAL

	Par value per share HKD (Unaudited)	Number of ordinary shares (Note a) (Unaudited)	Number of convertible preference shares (Unaudited)	Amount HKD'000 (Unaudited)
Authorised:				
At 30 June 2014 and 31 December 2013	0.001	249,480,000,000	520,000,000	250,000

	Par value per share HKD (Unaudited)	Number of ordinary shares (Note a) (Unaudited)	Number of convertible preference shares (Unaudited)	Amount HKD'000 (Unaudited)	Equivalent to RMB'000 (Unaudited)
Issued and fully paid:					
At 1 January 2013 (Audited)	0.001	340,662,666	520,000,000	860	720
Conversion to ordinary shares during the year	0.001	520,000,000	(520,000,000)	–	–
Issuance of shares upon exercise of convertible loan notes	0.001	150,000,000	–	150	124
Issuance of shares upon bonus issue *(Note b)*	0.001	1,010,662,666	–	1,011	793
At 31 December 2013 (Audited)	0.001	2,021,325,332	–	2,021	1,637
Issuance of shares upon placing *(Note c)*	0.001	169,000,000	–	169	135
Issuance of shares upon open offer *(Note d)*	0.001	1,095,162,666	–	1,095	879
At 30 June 2014 (Unaudited)	**0.001**	**3,285,487,998**	**–**	**3,285**	**2,651**

13. SHARE CAPITAL (Continued)

Notes:

a) All the ordinary shares which were issued by the Company rank pari passu with each other in all respects.

b) At the extraordinary general meeting of the Company held on 25 October 2013, ordinary resolutions approved the bonus issue of shares on the basis of one bonus share for every one existing share of HKD0.001 each (the "**Bonus Issue**") to the shareholders of the Company whose names appear on the registers of members of the Company on 4 November 2013. A total of 1,010,662,666 bonus shares were issued on 6 November 2013.

c) On 14 March 2014 and 17 March 2014, the Company entered into a conditional placing agreement and supplemental agreement (collectively known as the "**Placing Agreement**") with Get Nice Securities Limited (the "**Placing Agent**"), pursuant to which the Company has conditionally agreed to place, through the Placing Agents on a best effort basis a maximum of 169,000,000 placing shares at a placing price of HKD0.105 per placing share (the "**Placing**").

   The gross proceeds from the Placing are approximately HKD17.7 million (equivalent to approximately RMB14.2 million. The net proceeds after deducting the placing commission and other related expenses was approximately HKD17.4 million (equivalent to approximately RMB13.9 million). The completion of the Placing took place on 10 April 2014. Further details of the Placing are set out in the announcement of the Company dated 14 March 2014, 17 March 2014, 28 March 2014 and 10 April 2014.

d) Pursuant to the Company's announcement dated 22 April 2014 and the prospectus of the Company dated 26 May 2014, the Company proposed an open offer on the basis of one offer share for every two existing shares at the subscription price of HKD0.04 per offer share (the "**Open Offer**"). A total of 1,095,162,666 shares were issued under the Open Offer on 17 June 2014. The gross proceeds from the Open Offer are approximately HKD43.8 million (equivalent to approximately RMB35.2 million). The net proceeds after deducting the underwriting commission and other related expenses was approximately HKD41.6 million (equivalent to approximately RMB33.4 million).

14. DECONSOLIDATION OF SUBSIDIARIES

Pursuant to the Company's announcement dated 25 March 2014, due to the non-cooperation of the management of the Deconsolidated Subsidiaries and the continued absence of Mr. He from the Company, who was responsible for liaising with the Deconsolidated Subsidiaries, the Board has been unable to access to the books and records of the Deconsolidated Subsidiaries. Given the situation described above, the Board is of the view that the Group does not have the records to prepare accurate and complete financial statements for the Deconsolidated Subsidiaries for the financial year ended 31 December 2013. On 25 March 2014, the Board resolved that the Group no longer had the power to govern the financial and operating policies of the Deconsolidated Subsidiaries, and the control over the Deconsolidated Subsidiaries was lost on that date. The Group therefore deconsolidated the Deconsolidated Subsidiaries from its condensed consolidated financial statements and restated the condensed consolidated financial information for the six months ended 30 June 2013.

The following is a list of the subsidiaries which have been deconsolidated from 1 January 2013:

Name of subsidiary	Place of incorporation or establishment/ operation	Paid-up share capital/registered capital	Proportion of nominal value of ordinary issued capital/ registered capital held by the Company		Principal activities
			Directly	Indirectly	
Bloxworth Enterprise Limited	British Virgin Islands, limited liability	USD1,000	100%	–	Investment holding
Shanxi Zhanpen Metal Products Co., Ltd 山西展鵬金屬製品有限公司	PRC, wholly owned foreign enterprise	USD8,100,000	–	100%	Manufacture and sale of tinplate cans for the packaging of beverage in the PRC

14. DECONSOLIDATION OF SUBSIDIARIES (Continued)

The combined net assets of the Deconsolidated Subsidiaries as of 1 January 2013, which is based on their financial information as of 31 December 2012 were set out below respectively:

	Total
	RMB'000
Net assets deconsolidated of:	
Prepaid lease payments, net of accumulated amortisation and impairment	–
Property, plant and equipment, net of accumulated depreciation and impairment	10,089
Inventories	2,589
Trade receivables, net of allowance for doubtful debts	36,981
Other receivables, deposits and prepayments	1,845
Cash and bank balances	771
Amount due from the Company	1,259
Trade payables	(1,394)
Other payables and accrued charges	(3,286)
Receipt in advance	(324)
Tax liabilities	(2,086)
	46,444
Loss on deconsolidation of subsidiaries	(38,323)
Translation reserve release upon deconsolidation	1,101
Surplus reserve release upon deconsolidation	(9,222)
	–
Net cash outflow arising on deconsolidation	
Cash and bank balances disposed of for the period ended 30 June 2013	(771)

15. COMMITMENTS

a) Operating lease commitment – the Group as lessee

	30 June 2014 *RMB'000* (Unaudited)	30 June 2013 *RMB'000* (Unaudited)
Minimum lease payments paid under operating leases during the period:		
– Premises	**378**	936
– Plant and machinery and office equipment	**4**	–
	382	936

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

	30 June 2014 *RMB'000* (Unaudited)	31 December 2013 *RMB'000* (Audited)
Within one year	**322**	713
In the second to the fifth years inclusive	**25**	–
	347	713

Operating lease payments represent rentals payable by the Group for certain of its premises, plant and machinery and office equipment. Leases are negotiated for an average term of 3.5 year (31 December 2013: 1 year) and no arrangements have been entered into for contingent rental payments.

b) Other commitment

For the registered capital of HKD12,000,000 for 廣州市達以富貿易有限公司 ("**達以富**"), a wholly owned subsidiary of the Company, the Group shall paid 15% of the registered capital within three months after the date of issuance of business license of 達以富 and shall paid the remaining 85% of the registered capital within two years after the date of issuance of business license. Although the business license has been issued on 12 April 2013, the Group has yet to pay up any capital for 達以富 at 30 June 2014. For the potential penalty for the above non-compliance, please refer to Note 16(c) to the condensed consolidated financial statements.

16. LITIGATIONS AND CONTINGENCIES

a) The Alleged Guarantee and the claim

In December 2013, the Board received demand letter from alleged creditors of two companies, requesting the Company, being the alleged guarantor of debts in the total sum of approximately RMB842 million owed by two companies (the "**Alleged Creditors**") unknown to the Company (the "**Alleged Guarantees**"), to settle the alleged debts on or before 11 December 2013, and forewarning that, failing which, the Alleged Creditors would take legal action against the Company.

On 14 January 2014, the Company received a writ of summons and statement of claim issued by 廣東省金屬回收公司 (Guangdong Metal Recycling Corporation*) ("**GMRC**"), one of the two Alleged Creditors in relation to the Alleged Guarantees, against: (i) Able Success Asia Limited ("**Able Success**") as 1st defendant; (ii) Mr. He as the 2nd defendant; and (iii) the Company as the 3rd defendant, claiming an aggregate sum of approximately RMB644 million (the "**Claim**").

In response to the Claim, the Company submitted the defence (the "**Alleged Guarantee Defence**"), which avers, inter alia, that:

(a) neither the Board nor the shareholders of the Company had approved or authorised the execution of the purported guarantees or any other documents in favour of GMRC on behalf of the Company;

(b) GMRC had actual, alternatively imputed, knowledge or notice of the lack of authority and/or capacity of Mr. He to execute the purported guarantees, and did not deal with the Company in good faith;

(c) the purported guarantees were executed by Mr. He ultra vires and void for want of authority and/or capacity;

(d) further or alternatively, the making of the purported guarantees was without any benefit whatsoever to the Company as it was given without any consideration provided by GMRC and was neither in the commercial interests of, nor authorised by, the Company, and constituted a purported disposal of its capital without receiving a benefit in return; and

(e) the Company denies that GMRC is entitled to any of its claims and/or interest as alleged in the Claim.

16. LITIGATIONS AND CONTINGENCIES (Continued)

a) The Alleged Guarantee and the claim (Continued)

The Company states that it did not approve and did not authorise any person to enter into the Alleged Guarantees on behalf of the Company and was not aware of the existence of the same beforehand.

After taking legal advice from the legal adviser, the Board is of the view that the Alleged Guarantees and the Claim are void and unenforceable and the Company has valid grounds to defend. The Company will take all necessary steps to resist the Alleged Guarantees and Claim. Accordingly, there should not be any material impact on the financial position of the Company and the Group.

b) Disputes for receivables from Ease Faith

On 25 March 2014, Great Rich issued a writ of summons in the High Court of Hong Kong as the plaintiff claiming against Ease Faith, the supplier in the Sales Contracts as the defendant, for breach of the Sales Contracts or alternatively, money had and received.

Great Rich claims against Ease Faith for the following reliefs:

(a) return of the down-payments in the total sum of HKD17.7 million;

(b) interest on the Receivable;

(c) damages to be assessed;

(d) costs; and

(e) further and/or other relief.

After taking legal advice from the legal adviser, the Board is of the view that Great Rich has a reasonable chance of success on its claims against Ease Faith. The Board considers that the pursuit of the above claims is in the best interest of the Company and its shareholders. Accordingly, the Directors are satisfied that Great Rich is able to recover the outstanding Receivable from Ease Faith.

16. LITIGATIONS AND CONTINGENCIES (Continued)

c) Overdue unpaid registered capital for 達以富

As explained in Note 15(b) to the condensed consolidated financial statements, the Group has not paid up the registered capital for 達以富 within the specific timeframe stipulated by the relevant PRC rules and regulations. According to the legal opinion issued by PRC legal adviser, the potential penalty would be ranged from 5% to 15% based on the overdue unpaid registered capital. The Board considered that the risk to pay the penalty is low and remote and hence no provision has been provided for six months ended 30 June 2014.

d) Litigation in relation to Open Offer issued by Able Success

As detailed in the Company's announcements dated 19 June 2014, 20 June 2014 and 27 June 2014, respectively, the Company received a writ of summons dated 19 June 2014 issued by Able Success in the Court of First Instance of the High Court of Hong Kong against, amongst others (i) the Company as 1st defendant; (ii) the Placing Agent as 2nd defendant; and (iii) five of our Directors namely Mr. Siu Yun Fat, Mr. Lau Fai Lawrence, Mr. Siu Siu Ling Robert, Mr. Tam Tak Wah and Mr. Chan Yee Por Simon as the 3rd to 7th defendants, and a third party as the 8th defendant seeking amongst other things:

(a) an injunction against the Company and the Placing Agent, restraining the Company and the Placing Agent from disposing of, dealing with or trading of the 548,604,802 shares (the "**Alleged Shares**") which Able Success was entitled to subscribe pursuant to the Open Offer in respect of which Able Success has issued a letter of acceptance or any part thereof have not been issued or allotted by the Company (the "**Alleged Subscription**") and exercising or recognising the exercise of any voting rights attached to the Alleged Shares; and registering and procuring the registration of the transfer of the Alleged Shares in favour of any party;

(b) declarations in essence to recognise the validity of the Alleged Subscription; and

(c) damages.

After taking legal advice from the legal adviser, the Board is of the view that the Company has a reasonable chance of success on the litigation in relation to Open Offer issued by Able Success. Accordingly, there should not be any material impact on the financial position of the Company and the Group.

17. MATERIAL RELATED PARTY TRANSACTIONS

In addition to the transactions detailed elsewhere in these unaudited condensed consolidated financial statements, the Group had the following transactions with related parties during the period.

Name	Nature of transaction	**Six months ended 30 June** **2014** ***RMB'000*** **(Unaudited)**	2013 *RMB'000* (Unaudited)
Business Giant Limited ("**Business Giant**")	– Interest paid for convertible loan notes *(Note)*	–	23
Able Success	– Interest paid for convertible loan notes	–	123

Note:

An interest expenses of approximately HKD28,000, equivalent to approximately of RMB23,000 on convertible loan notes has been paid to Business Giant during the six months ended 30 June 2013, in which Mr. Leung Heung Ying Alvin ("**Mr. Leung**"), the executive director of the Company, is the sole director and shareholder of Business Giant. Upon the resignation of Mr. Leung on 20 February 2013, Business Giant ceased to be classified as related party of the Group.

18. EVENTS AFTER THE END OF THE REPORTING PERIOD

Grant of 131,200,000 share options

Pursuant to the Company's announcement dated 24 July 2014, the Company has granted 131,200,000 share options to certain eligible persons, including Mr. Siu Yu Fat, who has been appointed as executive director of the Company with effect from 28 January 2014, with an exercise price of HKD0.1164 per share under the share option scheme adopted by the Company on 22 February 2012 (the "**2012 Share Option Scheme**") to subscribe for the total of 131,200,000 ordinary shares of the Company on 24 July 2014.

* *For identification purposes only*

ADDITIONAL INFORMATION

DIRECTORS' INTEREST AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2014, the interests and short positions of the directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations within the meaning of Part XV of the Securities and Futures Ordinance (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 of Hong Kong Limited (the "**Stock Exchange**") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") contained in the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") were as follows:

Long position in shares and underlying shares of the Company:

Name of director	Capacity and nature of interest	Shares		Approximate percentage of the Company's issued share capital
Mr. He Jianhong ("**Mr. He**") *(Note a)*	Interest in a controlled corporation	1,097,209,604 *(Note b)*	(L)	33.40
		779,730,133	(S)	

Abbreviations:

"L" stands for long position

"S" stands for short position

Notes:

a. The entire issued share capital of Able Success Asia Limited ("**Able Success**") is beneficially owned by Mr. He. Mr. He is therefore deemed to be interested in the shares and underlying shares held by Able Success under the SFO.

b. According to the notification date 10 June 2014 given by Able Success pursuant to the Model Code, it stated that Able Success is the registered shareholder of 1,645,814,406 shares, or approximately 50.09% of the issued share capital of the Company. The difference is the result of a dispute between the Company and Able Success in relation to the Open Offer. For details please refer to the Company's announcements.

Save as disclosed above, as at 30 June 2014, none of the directors or chief executive of the Company had registered an interest or short positions in the shares or underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) that was required to be recorded pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the section "Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures" above and in the "Share Option Scheme" below, at no time during the six months ended 30 June 2014 were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company or any of its holding companies, subsidiaries and fellow subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

SHARE OPTION SCHEME

The Company has a share option scheme for eligible directors of the Company and eligible employees of the Group and other participants. Options granted must be taken up within 28 days of the date of grant, upon payment of HKD1 per each grant of options. Options may be exercised at any time from the date of acceptance of the share option to such date as determined by the board of directors but in any event not exceeding 10 years.

At the extraordinary general meeting of the Company held on 22 February 2012, ordinary resolutions were passed for the adoption of a new share option scheme and the termination of the existing share option scheme adopted by the Company on 2 June 2003.

The existing scheme mandate limit in respect of the granting of options to subscribe for shares of the Company under the 2012 Share Option Scheme has been refreshed at the adjourned annual general meeting held on 21 July 2014 which the total number of shares of the Company may be allotted and issued pursuant to the grant or exercises of the options under the 2012 Share Option Scheme shall not be exceed 10% of the shares of the Company in issue as at 21 July 2014.

Details of the share options outstanding at the end of the reporting period are as follows:

	Date of grant	Exercise price *HKD*	Exercisable period	Outstanding at 31 December 2012 (Audited) and 30 June 2013 (Unaudited)
Senior management	2 May 2007	2.924	2 May 2007 to 1 May 2017	467,852
Employees	2 May 2007	2.924	2 May 2007 to 1 May 2017	311,903
	30 January 2008	2.0263	30 January 2008 to 29 January 2018	1,559,513
				2,339,268
Weighted average exercise price *(HKD)*				**2.33**

The weighted average remaining contractual life of these outstanding share options is approximately 3.17 years (31 December 2013: 2.58 years).

No share option has been granted during the six months period ended 30 June 2014 (year ended 31 December 2013: Nil). During current period, a total of 1,215,600 share options were lapsed (year ended 31 December 2013: Nil).

During the current period, no expenses was recognised by the Group (year ended 31 December 2013: Nil) in relation to share options granted by the Company.

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

As at 30 June 2014, the following interests of more than 5% of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions in shares and underlying shares of the Company

Name of Shareholder	Capacity and nature of interest	Number of Shares		Approximate percentage of the Company's issued share capital
Able Success	Beneficial owner	1,097,209,604 *(Note a and Note b)* 779,730,133	(L) (S)	33.40
Skyway Securities Investment Limited	Person having a security interest in shares	1,097,209,604 *(Note c)*		33.40
Lam Hoi Sze ("**Mr. Lam**")	Interest in a controlled corporation	1,097,209,604		33.40
廣東航興貿易有限公司	Person having a security interest in shares	779,730,133		23.73
Cheung Chor Kwong	Beneficial owner	187,500,000		5.71

Abbreviations:

"L" stands for long position

"S" stands for short position

Notes:

a. The entire issued share capital of Able Success is beneficially owned by Mr. He. Mr. He is therefore deemed to be interested in the Shares held by Able Success under the SFO.

b. According to the notification date 10 June 2014 given by Able Success pursuant to the Model Code, it stated that Able Success is the registered shareholder of 1,645,814,406 shares, or approximately 50.09% of the issued share capital of the Company. The difference is the result of a dispute between the Company and Able Success in relation to the Open Offer. For details please refer to the Company's announcements.

c. The 63.15% issued share capital of Skyway Securities Investment Limited is beneficially owned by Mr. Lam.

Save as disclosed above, the Company had not been notified of other relevant interests or short positions in the shares and underlying shares of the Company as at 30 June 2014 as required pursuant to section 336 of the SFO.

CAPITAL STRUCTURE

Placing of New Shares under General Mandate

On 14 March 2014, 17 March 2014 and 28 March 2014, the Company and Get Nice Securities Limited, as placing agent, entered into a placing agreement, supplemental agreement and extension letter pursuant to which the Company conditionally agreed to place through the placing agent, on a best effort basis, up to 169,000,000 new shares of the Company to independent third parties at a price of HK$0.105 per placing share ("**Placing**"). The Placing was completed on 10 April 2014. The 169,000,000 placing shares under the Placing were issued under the general mandate which was granted to the Directors at the annual general meeting of the Company held on 21 June 2013. Further details of the Placing were set out in the announcement of the Company dated 14 March 2014, 17 March 2014, 28 March 2014 and 10 April 2014.

Open Offer

On 22 April 2014, the Company announced that it proposed to raise approximately HK$43.8 million before expenses by issuing not less than 1,095,162,666 offer shares and not more than 1,096,112,353 offer shares at the subscription price of HK$0.04 per offer share on the basis of one (1) offer share for every two (2) existing shares held (the "**Open Offer**"). The Open Offer was underwritten by Get Nice Securities Limited (the "**Underwriter**"). The Open Offer was completed on 17 June 2014 and the Company has issued 1,095,162,666 offer shares under the Open Offer. Further details of the Open Offer were set out in the announcements of the Company dated 22 April 2014, 5 May 2014, 9 May 2014, 15 May 2014 and 16 June 2014 and the prospectus of the Company dated 26 May 2014.

As at 30 June 2014, the share capital of the Company comprises of 3,285,487,998 issued shares with par value of HK$0.001 as enlarged by the issue of placing shares and open offer shares.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 of the Listing Rules as its own code of conduct regarding securities transactions by directors of the Company. Having made specific enquiry with the existing directors of the Company, except Mr. He who was absent from the Company without cause since November 2013 and did not respond to the Company's inquiries as at the latest practicable date prior to this report, all of them confirmed that they have complied with the required standards set out in the Model Code since their appointment as a Director during the six months ended 30 June 2014.

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 during the six months ended 30 June 2014.

CORPORATE GOVERNANCE

The Company has complied with all code provisions of the Corporate Governance Code (the "**CG Code**") throughout the six months ended 30 June 2014 as set out in Appendix 14 of the Rule Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "**Listing Rules**") except for the following deviations:

Code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive officer ("**CEO**") should be separate and should not be performed by the same individual. During the period under review, the Company did not have any office with CEO title. The roles and duties of CEO were shared by the Directors. In view of the size of operation of the Group, the Board considered that this structure is more suitable for the Company as it can promote the efficient formulation and implementation of the Company's strategies.

Code provision A.4.1 of the CG Code stipulates that non-executive directors should be appointed for a specific term, subject to re-election. The independent non-executive Directors are not appointed for a specific term but shall retire from office by rotation at least once every three years as referred to in article 108A of the Company's articles of association which provides that at each annual general meeting one-third of the directors of the Company for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation. The reason for the deviation is that the Company does not believe that arbitrary limits on term of non-executive directorship are appropriate given that Directors ought to be committed to representing the long time interest of the Company's shareholders and the retirement and re-election requirements of independent non-executive Directors have given the Company's shareholders the right to approve continuation of independent non-executive Directors' offices.

Code Provision A.6.7 of the CG Code stipulates that non-executive directors, including independent non-executive directors, should attend general meetings. One of the independent non-executive directors, namely Mr. Siu Siu Ling, Robert, was unable to attend the annual general meeting (the "**AGM**") of the Company held on 30 June 2014 as he had other business engagements. However, he subsequently requested the company secretary of the Company to report to him on the views of the shareholders of the Company in the AGM. As such, the Board considers that the development of a balanced understanding of the views of shareholders of the Company among the independent non-executive directors was ensured.

By Order of the Board
Siu Yun Fat
Executive Director

Hong Kong, 31 August 2014