



iMerchants Limited

Third Quarterly Report 2009/2010

Stock Code: 8009

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

GEM has been positioned as a market designed to accommodate companies to which a high investment risk may be attached then other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risk of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risks profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

This report, for which the directors (“Directors”) of iMerchants Limited (“Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (“GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, (i) the information contained in this report is accurate and complete in all material aspects and not misleading; (ii) there are no other matters the omission of which would make any statement herein misleading; and (iii) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

SUMMARY

The Group's unaudited consolidated loss for the nine month period ended 31 December 2009 was approximately HK\$24,007,000, compared to the unaudited consolidated profit of approximately HK\$4,906,000 of the Group for the corresponding nine-month period in 2008. No interim dividend is recommended for the period.

THIRD QUARTERLY RESULTS FOR THE NINE MONTHS ENDED 31 DECEMBER 2009

The board of Directors (the "Board") of the Company presents the unaudited consolidated results of the Group for the three months and the nine months ended 31 December 2009 together with the comparative unaudited figures for the corresponding periods in 2008 as follows:

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months and nine months ended 31 December 2009

	Notes	Three months ended 31 December		Nine months ended 31 December	
		2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000
Turnover	2	24,292	501	78,962	92,723
Revenue		4,392	501	8,292	3,125
Cost of Sales		(1,325)	(386)	(3,466)	(2,055)
Gross Profit		3,067	115	4,826	1,070
Gain on disposal on convertible bond		–	–	–	1,328
Investment Income		7	–	29	422
Net (loss)/gain on disposal of debt securities		(2,983)	–	(15,823)	1,143
Net fair value change on listed trading securities		–	–	–	3,415
Increase in fair values of financial assets at fair value through profit or loss		–	–	–	2,769
Other income		5	–	36	845
Selling expenses		(2,709)	(60)	(4,286)	(256)
Administration expenses		(3,033)	(2,232)	(8,300)	(5,669)
Finance expenses		(305)	(48)	(377)	(161)
Profit/(loss) before taxation	3	(5,951)	(2,225)	(23,895)	4,906
Taxation	4	(73)	–	(112)	–
Profit/(loss) for the period		(6,024)	(2,225)	(24,007)	4,906

	Three months ended		Nine months ended	
	31 December		31 December	
Notes	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000
Other Comprehensive Income				
Exchange difference arising on translation	(120)	–	(73)	–
Fair value gain/(loss) on available-for-sale financial assets	7,369	(14,550)	57,672	(57,101)
Total comprehensive income for the period	1,225	(16,775)	33,592	(52,195)
Profit/(loss) attributable to:				
Owners of the Company	(5,945)	(2,120)	(23,855)	4,887
Minority interests	(79)	(105)	(152)	19
	(6,024)	(2,225)	(24,007)	4,906
Total comprehensive income attributable to:				
Owners of the Company	1,331	(16,670)	33,759	(52,214)
Minority interests	(106)	(105)	(167)	19
	1,225	(16,775)	33,592	(52,195)
Earnings (loss) per share (restated)				
– basic	5 (0.2) cent	(0.07) cent	(0.82) cent	0.17 cent
– diluted	N/A	N/A	N/A	N/A

Notes

1. BASIS OF PREPARATION

The unaudited financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). In addition, the financial statements include the applicable disclosure requirements of the Companies Ordinance and of the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited.

The financial statements have been prepared on the historical cost basis except for certain financial instruments, which are, measured at fair values.

2. TURNOVER

Turnover represents revenue generated from sales of ceramic sewage products as well as revenue from investments, and is analysed as follows:

	Three months ended		Nine months ended	
	31 December		31 December	
	2009	2008	2009	2008
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover from sales of				
ceramic sewage products	4,392	501	8,292	3,125
Interest income from debt securities	–	–	–	47
Dividends from listed securities	7	–	29	321
Proceeds from debt securities	19,893	–	70,641	19,184
Proceeds from held-for-trading investments	–	–	–	64,801
Proceeds from financial assets at fair value through profit or loss	–	–	–	5,245
Turnover	24,292	501	78,962	92,723

During the nine month period ended 31 December 2009, the Directors consider investment in financial and investment products as well as manufacture and trading of ceramic sewage products being principal activities of the Group.

3. PROFIT (LOSS) BEFORE TAXATION

Profit (loss) before taxation is arrived at after charging (crediting):

	Nine months ended 31 December	
	2009 HK\$'000	2008 HK\$'000
Operating lease charges in respect of rented premises	777	481
Staff costs		
Salaries and allowances	1,774	1,531
Net contributions to retirement benefits schemes	56	90
	1,830	1,621
Depreciation expense	120	335
Interest income from bank deposits	(2)	(278)
Net exchange (gain) loss	–	(545)
Sundries	71	7

4. TAXATION

	For the three months ended 31 December		For the nine months ended 31 December	
	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000
Current Tax				
The PRC	(73)	–	(112)	–
Taxation Attributable to the Group	(73)	–	(112)	–

No provision for Hong Kong Profits Tax has been made in the financial statements as the Group incurred tax losses for both periods.

Tax arising in the PRC is calculated at the rates of tax prevailing in the PRC.

5. EARNINGS (LOSS) PER SHARE

The calculation of the basic and diluted earnings (loss) per share attributable to the owners of the Company for the three month period and nine month period ended 31 December 2009 is based on the following data:

	Three months ended 31 December		Nine months ended 31 December	
	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000
(Loss)/earnings for the purposes of basic and diluted earnings per share	(5,945)	(2,120)	(23,855)	4,887
	Number	Number	Number	Number
Weighted average number of ordinary shares for the purposes of basic earnings per share	2,908,457,346	2,831,275,000	2,908,457,346	2,831,275,000
Weighted average number of ordinary shares for the purposes of diluted earnings per share	7,849,456,818	2,831,275,000	7,849,456,818	2,831,275,000

Diluted earnings per share is calculated adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

No diluted loss per share for nine months ended 31 December 2009 had been presented as the effect of the conversion of the Company's outstanding Convertible Preference Shares and Convertible Bond was anti-dilutive.

On 2 November 2009, the Company subdivided each of the existing issued and unissued Shares and Convertible Preference Shares of HK\$0.20 each in the share capital of the Company into 5 Subdivided Shares and 5 Subdivided Convertible Preference Shares of HK\$0.04 each respectively. The board lot of the Company has been changed from 5,000 Shares to 25,000 Subdivided Shares.

The Subdivided Shares will rank pari passu in all respects with the Shares in issue prior to the Share Subdivision and the rights attaching to the Subdivided Shares will not be affected by the Share Subdivision.

6. INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the nine months ended 31 December 2009 (2008: Nil).

7. MOVEMENT OF RESERVES

	Equity attributable to the owners of the Company							
	Special capital reserve	Capital redemption reserve	Merger reserve	Investment revaluation reserve	Accumulated Profit (losses)	Sub-total	Minority interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2008	60,592	3,297	45,918	771	6,233	116,811	-	116,811
Acquisition of subsidiaries	-	-	-	-	-	-	1,160	1,160
Loss on fair value changes of available-for-sale investments and net expenses recognized directly in equity	-	-	-	(57,101)	-	(57,101)	-	(57,101)
Capital contribution by minority shareholder of the subsidiary	-	-	-	-	-	-	338	338
Profit for the period	-	-	-	-	4,887	4,887	19	4,906
At 31 December 2008	60,592	3,297	45,918	(56,330)	11,120	64,597	1,517	66,114

	Equity attributable to the owners of the Company								
	Special capital reserve	Capital redemption reserve	Merger reserve	Investment revaluation reserve	Translation reserve	Accumulated Profit (losses)	Sub-total	Minority interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2009	60,592	3,297	45,918	(54,073)	(104)	8,619	64,249	1,151	65,400
Exchange difference arising on translation of foreign operations	-	-	-	-	(58)	-	(58)	(15)	(73)
Gain on fair value changes of available-for-sale investments and net expenses recognized directly in equity	-	-	-	57,672	-	-	57,672	-	57,672
Loss for the period	-	-	-	-	-	(23,855)	(23,855)	(152)	(24,007)
At 31 December 2009	60,592	3,297	45,918	3,599	(162)	(15,236)	98,008	984	98,992

8. CAPITAL COMMITMENTS

At 31 December 2009, the Group had no capital commitment.

9. ACQUISITION OF SUBSIDIARIES AND BUSINESS

The net assets acquired in the transaction and the goodwill arising are as follows:

	23 October 2009
	HK\$'000
Net assets acquired:	
Other payable	(12)
Add: Fair value adjustment on net assets acquired	955,560
Fair value adjustment on deferred tax liabilities due to fair value adjustment on net assets acquired	(238,890)
Goodwill	183,342
Total consideration	900,000
Satisfied by:	
Cash	98,890
Promissory Notes	1,110
Consideration Shares	12,305
Convertible Bond	200,000
Convertible Preference Shares	587,695
	900,000

MANAGEMENT DISCUSSION AND ANALYSIS

GROUP BUSINESS REVIEW

During the nine month period ended 31 December 2009, the principal activity of the Company together with its subsidiaries (collectively the “**Group**”) was engaged in investment in financial and investment products as well as manufacture and trading of ceramic sewage products.

We continue our objective of enhancing the value of the Company’s shares. We will cautiously make use of excess funds on investments in Hong Kong equity market. The investment strategy is reviewed and monitored frequently and we will take appropriate actions whenever necessary in response to changes in fundamental market situation. With adequate funds on hand, we will also continue to identify venture companies with growth potential and also possess the management ability to capture business opportunities.

On 26 May 2008, Shine Gain Holdings Limited, a direct wholly-owned subsidiary of the Company (the “**Purchaser**”), entered into an agreement (the “**Agreement**”) to purchase the entire issued share capital of Plenty One Limited (the “**Acquisition**”), which in turn holds a 80% interest in the registered and paid-up capital of Ping Xiang City San He Lian Chuang Water Technology Company Limited (萍鄉市三和聯創水務科技有限公司) (the “**PRC Co.**”). Details of the Agreement and the Acquisition are disclosed in the circular of the Company dated 19 June 2008.

Pursuant to the Agreement, Da Luz, Sergio Augusto Josue Junior (the “**Vendor**”) irrevocably and unconditionally warrants, guarantees and undertakes to and with the Purchaser that the consolidated net profit after tax of the PRC Co. (the “**Net Profit**”) during the period from 1 June 2008 to 30 May 2009 (“**First Relevant Period**”) as to be shown in the audited accounts of the PRC Co. for such period to be prepared by a certified public accountants acceptable to the Purchaser shall not be less than RMB6,000,000 (the “**Guaranteed Profit**”). In the event that the Net Profit during the First Relevant Period, as the case may be, is less than the Guaranteed Profit, the Purchaser shall be entitled to a cash sum which is equal to the amount of the difference between the Guaranteed Profit and the Net Profit (the “**Shortfall Payment**”).

Currently, the unaudited account of the PRC Co. has showed that the net profit for the First Relevant Period is to be less than the Guaranteed Profit. The Company has already appointed legal representative in search for possible action against the Vendor for compensation.

On 8 April 2009, Growwise Holdings Limited, a wholly-owned subsidiary of the Company, as the Purchaser, entered into the Agreement with Rightshine Holdings Limited, as the Vendor, pursuant to which the Purchaser conditionally agreed to purchase and the Vendor conditionally agreed to sell the entire issued share capital of Supreme Luck International Limited at a consideration of HK\$900,000,000. The Acquisition, the Agreement and the transactions contemplated thereunder including, among others, the allotment and issue of the Consideration Shares, the Convertible Preference Shares, and the issue of the Convertible

Bonds and the Capital Increase were approved by the shareholders of the Company (“**Shareholders**”) by passing the ordinary resolutions at the EGM held on 17 September 2009. The Acquisition was completed on 23 October 2009. Upon Completion, 61,522,160 Consideration Shares, the Convertible Bonds and 2,938,477,840 Convertible Preference Shares were allotted and issued to the Vendor by the Company on 23 October 2009. Details of the Acquisition and the Completion are disclosed in the circular of the Company dated 31 August 2009 and the announcement of the Company dated 23 October 2009 respectively.

On 2 October 2009, the Board announced that it proposed to subdivide each of the existing issued and unissued Shares and Convertible Preference Shares of HK\$0.20 each in the share capital of the Company into 5 Subdivided Shares and 5 Subdivided Convertible Preference Shares of HK\$0.04 each respectively. The Share Subdivision was approved by the Shareholders by passing an ordinary resolution at the EGM held on 30 October 2009. The Share Subdivision became effective on 2 November 2009 and the board lots of the Company has been changed from 5,000 Shares to 25,000 Subdivided Shares. Details of the Share Subdivision are disclosed in the circular of the Company dated 7 October 2009.

Adjustment to the Convertible Bonds

Pursuant to the terms and conditions of the instrument constituting the Convertible Bonds in the aggregate principal amount of HK\$200,000,000 with zero coupon rate due 2014 issued by the Company on 23 October 2009, the conversion price of the Convertible Bonds and the total number of Shares to be allotted and issued upon full exercise of the conversion rights attaching to the Convertible Bonds shall be adjusted in the following manner:

Before Share Subdivision		After Share Subdivision	
Number of shares to be allotted and issued	Conversion price per share	Adjusted number of Shares to be allotted and issued	Adjusted conversion price per Share
1,000,000,000	HK\$0.20	5,000,000,000	HK\$0.04

Adjustment to the Convertible Preference Shares

Pursuant to the terms and conditions of the Convertible Preference Shares in the aggregate principal amount of HK\$587,695,568 issued by the Company on 23 October 2009, the conversion price of the Convertible Preference Shares and the total number of Shares to be allotted and issued upon full exercise of the conversion rights attaching to the Convertible Preference Shares shall be adjusted in the following manner:

Before Share Subdivision		After Share Subdivision	
Number of shares to be allotted and issued	Conversion price per share	Adjusted number of Shares to be allotted and issued	Adjusted conversion price per Share
2,938,477,840	HK\$0.20	14,692,389,200	HK\$0.04

FINANCIAL REVIEW

The turnover for the Group was approximately HK\$78,962,000 as compared to approximately HK\$92,723,000 for the corresponding period last year. The unaudited consolidated loss for the nine month period ended 31 December 2009 was approximately HK\$24,007,000, compared to the unaudited consolidated profit of approximately HK\$4,906,000 of the Group for the corresponding nine-month period in 2008.

The Group continues to be in a healthy financial position with current assets totalling approximately HK\$57,771,000 (31 March 2009: approximately HK\$72,332,000). The management of the Group considers its financial resources to be liquid because approximately 85.8% of this total comprised of bank balances and cash and cash held at non-bank financial institutions.

The total bank borrowing for the Group as at 31 December 2009 was approximately HK\$2,252,000 (31 March 2009: approximately HK\$1,290,000) which was used as working capital for our manufacture and trading of ceramic sewage products segment in People's Republic of China (the "PRC").

The Group generated a net loss of HK\$24,007,000 for the nine months ended 31 December 2009, compared to a net profit of HK\$4,906,000 for the corresponding period in 2008. The loss is mainly attributable to the disposal of the Group's financial investments during the last nine months. The gross profit of manufacture and trading of ceramic sewage products for the nine-month period ended 31 December 2009 was approximately HK\$4,826,000 (2008: approximately HK\$1,070,000). The Group's administrative expenses were amounted to approximately HK\$8,300,000 (2008: approximately HK\$5,669,000).

DIRECTORS' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATION

At 31 December 2009, the interests and short positions of the Directors in the shares, underlying shares and debentures of the Company and 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 under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules were as follows:

Long positions in ordinary shares of HK\$0.04 each of the Company (the "Shares")

No long positions of Directors in the Shares were recorded in the register or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules.

Long positions in underlying shares – share options granted by the Company

No long positions of Directors in the underlying shares of the equity derivatives of the Company and its associated corporations were recorded in the register or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules.

Long positions in debentures

No long positions of Directors in the debentures of the Company and its associated corporations were recorded in the register or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules.

Long positions in the shares of associated corporations

Name of Director	Name of associated corporations	Number of shares held in the associated corporation	Approximate percentage of shareholding
Yang Bin	China Water Industry Group Limited ("China Water")	450,479,000 (Note)	16.64%

Note: These shares are held by Boost Skill Investments Limited (as to 265,479,000 shares of China Water) and its wholly owned subsidiaries, Favor Jumbo Investments Limited (as to 130,000,000 shares of China Water) and Sure Ability Limited (as to 55,000,000 shares of China Water). Mr. Yang Bin is interested in 60% of the equity interest in Boost Skill Investments Limited.

Save as disclosed above, no long positions of the Directors in the shares of the associated corporations of the Company was recorded in the register or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules.

Short positions in the Shares

No short positions of Directors in the shares of the Company and its associated corporations were recorded in the register or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules.

Short positions in underlying shares

No short positions of Directors in the underlying shares of the equity derivatives of the Company and its associated corporations were recorded in the register or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules.

Short positions in debentures

No short positions of Directors in the debentures of the Company and its associated corporations were recorded in the register or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules.

Save as disclosed above, at 31 December 2009, none of the Directors had any interests in any Shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules.

INTERESTS DISCLOSEABLE UNDER THE SFO AND SUBSTANTIAL SHAREHOLDERS

At 31 December 2009, the following persons (other than the interests disclosed above in respect of certain Directors of the Company) had interests and short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

Long positions in the Shares

Name of Substantial Shareholder	Capacity/ Nature of interest	Number of ordinary shares in the Company held	Percentage of issued share capital of the Company
Bonus Raider Investments Limited (<i>Note 1</i>)	Beneficial owner	2,406,117,500 (<i>Note 2</i>)	76.66%
China Water Industry Group Limited (<i>Note 1</i>)	Interest of a controlled corporation	2,406,117,500 (<i>Note 2</i>)	76.66%

Notes:

1. These shares are registered in the name of Bonus Raider Investments Limited, which is a wholly-owned subsidiary of China Water Industry Group Limited.
2. The Shares are adjusted by the share subdivision effect from 2 November 2009.

Long positions in underlying shares

No long positions of other persons and substantial shareholders in the underlying shares of equity derivatives of the Company were recorded in the register.

Short positions in the Shares

No short positions of other persons and substantial shareholders in the shares of the Company were recorded in the register.

Short positions in underlying shares

No short positions of other persons and substantial shareholders in the underlying shares of equity derivatives of the Company were recorded in the register.

Save as disclosed above, at 31 December 2009, the Directors were not aware of any other person who had an interest or a short position in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

AUDIT COMMITTEE

The Company has an audit committee (“**Audit Committee**”) which was established with written terms of reference in compliance with the GEM Listing Rules. As at the date of this report, the Audit Committee had three members comprising the three independent non-executive Directors, Mr. Chang Kin Man (Chairman of the Audit Committee), Mr. Wu Tak Lung and Mr. Lam Tze Chung.

The primary duties of the Audit Committee are to review the financial information of the Group and supervise the financial reporting process and internal control procedures of the Group. The Group's third quarterly results for the nine months ended 31 December 2009 have been reviewed by the members of the Audit Committee, who are of the opinion that such statements comply with the applicable accounting standards, the Stock Exchange listing requirements and legal requirements and that adequate disclosures have been made.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Board and senior management are committed to the principles of Corporate Governance and have dedicated significant efforts to provide transparency, accountability and independence.

The Company has applied the principles and complied with all the applicable code provisions of the Code of Corporate Governance Practice (“the **Code**”) and the Rules on Corporate Governance Report as set out in the GEM Listing Rules Appendix 15 and Appendix 16 for the nine-month period ended 31 December 2009, save as the following deviation.

Under Code Provision A.2.1, the roles of chairman and chief executive officer should be separated.

Mr. Yau Yan Ming Raymond (“**Mr. Yau**”) serves as the Chairman of the Board and the Chief Executive Officer. The reason for not splitting the roles of chairman and chief executive officer are as follows:

- The size of the Group is still relatively small and thus not justified in separating the roles of chairman and chief executive officer; and
- The Group has in place an internal control system to perform the check and balance function.

Mr. Yau is primarily responsible for leadership of the Group and the Board, setting strategic direction, ensuring the effectiveness of management in execution of the strategy approved by the Board. Execution responsibilities lie with another executive Director and senior management of the Company.

Thus, the Board considers that this structure will not impair the balance of power and authority between the Board and the management of the Company.

COMPLIANCE WITH THE REQUIRED STANDARD OF DEALINGS IN SECURITIES TRANSACTIONS BY DIRECTORS

During the period under review, the Group adopted the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct regarding directors’ securities transactions in securities of the Company. Upon the Group’s specific enquiry, each Director confirmed that during the nine-month period ended 31 December 2009, he or she had fully complied with the required standard of dealings and there was no event of non-compliance.

COMPETING INTERESTS

During the period under review, none of the Directors or the management shareholders of the Company (as defined in the GEM Listing Rules) had an interest in a business that competed with the Group or might compete with the business of the Group.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the period under review, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

By Order of the Board
iMerchants Limited
Yau Yan Ming Raymond
Chairman

Hong Kong, 8 February 2010

The Directors as at the date of this report are as follows:

Executive Directors

Mr. Yau Yan Ming Raymond

Mr. Yang Bin

Mr. Li Wen Jun

Mr. Wong Ka Chun Carson

Independent non-executive Directors

Mr. Chang Kin Man

Mr. Wu Tak Lung

Mr. Lam Tze Chung