



RPC
瑞豐石化

Interim Report
2011

Ruifeng Petroleum Chemical Holdings Limited
(Incorporated in the Cayman Islands with limited liability)
(Stock Code : 8096)

THE NEW ERA BEGINS WITH US



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This report, for which the directors of Ruifeng Petroleum Chemical Holdings Limited 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 (the “GEM Listing Rules”) for the purpose of giving information with regard to Ruifeng Petroleum Chemical Holdings Limited. The Directors, having made all reasonable enquires, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.

REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS



暉誼(香港)會計師事務所有限公司

PARKER RANDALL CF (H.K.) CPA LIMITED

To the shareholders of Ruifeng Petroleum Chemical Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the accompanying interim condensed consolidated financial statements of Ruifeng Petroleum Chemical Holdings Limited (the “Company”) and its subsidiaries (together, the “Group”) as at 30 June 2011, comprising of the interim condensed consolidated statement of financial position as at 30 June 2011 and the related interim condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the six-month period then ended with explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity. A review of interim financial information 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 Standard on Auditing. Consequently, it 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.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Parker Randall CF (H.K.) CPA Limited

Certified Public Accountants

Seto Man Fai

Practising Certificate No.: P05229

Hong Kong

12 August 2011

RESULTS

The board of directors of Ruifeng Petroleum Chemical Holdings Limited (the "Company") presents the unaudited condensed consolidated interim financial information of the Company and its subsidiaries (the "Group") for the three months and six months ended 30 June 2011 together with the comparative figures for the corresponding periods in last financial year.

CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	Three months ended 30 June		Six months ended 30 June	
		2011	2010	2011	2010
		HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)
Revenue	3	1,474,498	2,659	2,502,660	5,308
Cost of sales	5	(1,382,292)	(25)	(2,297,301)	(46)
Gross profit		92,206	2,634	205,359	5,262
Other income	3	3,942	2	7,788	4
Distribution costs	5	(1,807)	(156)	(4,235)	(286)
Administrative expenses	5	(20,590)	(3,893)	(46,222)	(7,851)
Finance costs		(40,219)	–	(89,143)	–
Profit/(Loss) before income tax		33,532	(1,413)	73,547	(2,871)
Income tax expenses	6	(1,897)	(27)	(11,151)	(80)
Profit/(Loss) for the period attributable to equity holder of the Company		31,635	(1,440)	62,396	(2,951)
Earnings/(Loss) per share attributable to the equity holder of the Company	8				
– basic (HK cents per share)		0.86	(0.054)	1.80	(0.113)
– diluted (HK cents per share)		0.86	(0.054)	1.80	(0.113)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Three months ended 30 June		Six months ended 30 June	
	2011 HK\$'000 (unaudited)	2010 HK\$'000 (unaudited)	2011 HK\$'000 (unaudited)	2010 HK\$'000 (unaudited)
Profit/(Loss) for the period	31,635	(1,440)	62,396	(2,951)
Other comprehensive income:				
Revaluation deficit on available-for-sale financial assets	(207)	(435)	(1,177)	(1,063)
Exchange differences on translation of foreign operations	8,984	96	8,983	24
Total other comprehensive (loss)/income for the period, net of tax	8,777	(339)	7,806	(1,039)
Total comprehensive (loss)/income for the period attributable to equity holder of the Company	40,412	(1,779)	70,202	(3,990)

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

		30 June	31 December
		2011	2010
		HK\$'000	HK\$'000
	<i>Notes</i>	(Unaudited)	(Audited)
Non-current assets			
Property, plant and equipment		1,191,867	1,198,205
Prepaid land lease payments		103,036	102,091
Goodwill		153,696	153,696
Available-for-sale financial assets	<i>9</i>	4,923	6,094
Deferred income tax assets		77	74
Total Non-current assets		1,453,599	1,460,160
Current assets			
Inventories	<i>10</i>	669,935	902,338
Trade receivables	<i>11</i>	366,762	74,005
Prepayments, deposits and other receivables		764,763	679,072
Pledged deposit	<i>12</i>	515,729	682,591
Cash and cash equivalents	<i>12</i>	54,824	25,454
Total current assets		2,372,013	2,363,460
Total assets		3,825,612	3,823,620
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	<i>15</i>	37,063	26,263
Reserves		781,898	138,913
Total equity		818,961	165,176

		30 June 2011 HK\$'000 (Unaudited)	31 December 2010 HK\$'000 (Audited)
	<i>Notes</i>		
Current liabilities			
Trade and bills payables	<i>13</i>	2,116,813	1,678,983
Advance from customers		176,085	149,994
Accruals and other payable		30,449	692,246
Interest-bearing bank and other borrowings	<i>14</i>	624,814	432,483
Tax payable		9,272	474
Amounts due to related companies	<i>16(b)</i>	10,000	519,310
Total current liabilities		2,967,433	3,473,490
Net current liabilities		(595,420)	(1,110,030)
Total assets less current liabilities		858,179	350,130
Non-current liabilities			
Deferred tax liabilities		39,218	36,781
Convertible bonds		–	148,173
Total non-current liabilities		39,218	184,954
Net assets		818,961	165,176
Total equity and liabilities		3,825,612	3,823,620

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2011 and 2010

	Share Capital HK\$ '000 (unaudited)	Share Premium HK\$ '000 (unaudited)	Capital Reserve HK\$ '000 (unaudited)	Equity component of convertible bonds HK\$ '000 (unaudited)	Currency Translation HK\$ '000 (unaudited)	Available- for-sale- financial assets HK\$ '000 (unaudited)	Accumulated losses HK\$ '000 (unaudited)	Total HK\$ '000 (unaudited)
Balance at 1 January 2010	25,063	11,347	6,840	-	3,895	3,136	(20,466)	29,815
Comprehensive income/(loss)								
Loss for the period	-	-	-	-	-	-	(2,951)	(2,951)
Total other comprehensive loss	-	-	-	-	24	(1,063)	-	(1,039)
Total comprehensive income/(loss)	-	-	-	-	24	(1,063)	(2,951)	(3,990)
Issuance of new share	1,200	72,722	-	-	-	-	-	73,922
Balance at 30 June 2010	26,263	84,069	6,840	-	3,919	2,073	(23,417)	99,747
Balance at 1 January 2011	26,263	84,068	6,840	87,094	4,836	1,777	(45,702)	165,176
Comprehensive (loss)/income								
Profit for the period	-	-	-	-	-	-	62,396	62,396
Total other comprehensive loss	-	-	-	-	8,983	(1,177)	-	7,806
Total comprehensive (loss)/income	-	-	-	-	8,983	(1,177)	62,396	70,202
Issue of shares upon conversion of convertible bonds	10,800	659,471	-	(247,531)	-	-	-	422,740
Issue of convertible bonds	-	-	-	160,437	-	-	-	160,437
Issue of non-listed warrants	-	-	406	-	-	-	-	406
Balance at 30 June 2011	37,063	743,539	7,246	-	13,819	600	16,694	818,961

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

	Six months ended 30 June	
	2011	2010
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	150,358	(6,045)
NET CASH INFLOW FROM FINANCING ACTIVITIES	532,608	73,921
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	(659,195)	(70,229)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	23,771	(2,353)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	25,454	11,448
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	5,599	40
CASH AND CASH EQUIVALENTS AT END OF PERIOD	54,824	9,135
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
CASH AND BANK BALANCES	54,824	9,135

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2011

1. General information

Ruifeng Petroleum Chemical Holdings Limited (the “Company”) is an investment holding company. The principal activities of the Company and its subsidiaries (together the “Group”) are fuel oil processing, trading of fuel oil, the development and distribution of Thin Computing solutions and related products.

Ruifeng Petroleum Chemical Holdings Limited is a limited liability company incorporated in the Cayman Islands. The principal place of business of the Company is located at Unit 818 to 822, 8/F, Bank of America Tower, 12 Harcourt Road, Central, Hong Kong and the address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

The Company is listed on The Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

These unaudited condensed consolidated financial information are presented in units of Hong Kong dollars, unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 12 August 2011.

2. Principal accounting policies and basis of preparation

The condensed consolidated interim financial information for the six months ended 30 June 2011 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34, “Interim financial reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2010, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA. The condensed consolidated interim financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair value as appropriate.

The principal accounting policies used in the preparation of these condensed consolidated interim financial statements for the six months ended 30 June 2011 are consistent with those used in the annual audited financial statements for the year ended 31 December 2010, except for the new and revised standards, amendments and interpretations (“new and revised HKFRSs”) issued by HKICPA that are adopted for the first time for the current financial statements. The adoption of these new and revised HKFRSs has had no material impact on the Group’s financial statements. The Group has not early adopted any new HKFRSs that have been issued but are not yet effective.

These condensed consolidated interim financial statements are unaudited, but have been reviewed by the Company’s external auditor, Parker Randall CF (H.K.) CPA Limited.

3. Revenue and other income

Revenue comprises the fair value of the consideration received or receivable for the sale of goods, processed fuel oil and services rendered in the ordinary course of the Group's activities. Revenue is shown net of allowance for return and trade discounts, and applicable goods and services taxes and after eliminating sales within the Group.

An analysis of the Group's revenue and other income is as follows:

	Three months ended 30 June		Six months ended 30 June	
	2011	2010	2011	2010
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue:				
Sale of goods	1,514	2,659	3,122	5,308
Sale of processed fuel oil	1,472,984	–	2,499,538	–
	1,474,498	2,659	2,502,660	5,308
Other income:				
Interest income	3,839	2	7,320	4
Other	103	–	468	–
	3,942	2	7,788	4

4. Segment information

(a) Business segments

The segment results for the period ended 30 June 2011 and 2010 are as follows:

	Software		Upgrade kits		Vertical market solutions		Processed fuel oil		Total	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Total segment revenue and revenue from external customers	3,097	5,173	12	135	13	–	2,499,538	–	2,502,660	5,308
Segment results	2,559	5,173	11	89	1	–	202,788	–	205,359	5,262
Other income									7,788	4
Unallocated operating costs									(50,457)	(8,137)
Finance costs									(89,143)	–
Profit/(Loss) before income tax									73,547	(2,871)

(b) Geographical segments

The Group's revenue is mainly generated within Europe, the United States and Asia Pacific.

Revenue

	Six months ended 30 June	
	2011	2010
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Europe	1,311	1,408
United States	1,164	1,664
Asia Pacific except Hong Kong, China and Singapore	551	2,145
Hong Kong and China	2,499,599	26
Singapore	17	21
Other countries	18	44
Total	2,502,660	5,308

Revenue is allocated based on the country in which the customer is located.

Total assets

	30 June	31 December
	2011	2010
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Singapore	4,452	5,349
Vietnam	4,754	5,931
Hong Kong and China	3,816,406	3,812,340
Total	3,825,612	3,823,620

Total assets are allocated based on where the assets are located.

5. Expenses by nature

	Three months ended 30 June		Six months ended 30 June	
	2011 HK\$'000 (Unaudited)	2010 HK\$'000 (Unaudited)	2011 HK\$'000 (Unaudited)	2010 HK\$'000 (Unaudited)
Costs of inventory sold	1,382,292	25	2,297,301	46
Depreciation	14,329	–	27,812	–
Amortisation of land lease payments	163	–	465	–
Auditors' remuneration	287	90	534	180
Employee benefits expenses (including directors' remuneration)	8,763	2,657	16,621	5,103
Operating leases payments	621	226	846	494
Net foreign exchange loss/ (gain)	(307)	(174)	(389)	16

6. Income tax expenses

	Three months ended 30 June		Six months ended 30 June	
	2011 HK\$'000 (Unaudited)	2010 HK\$'000 (Unaudited)	2011 HK\$'000 (Unaudited)	2010 HK\$'000 (Unaudited)
Current:				
Hong Kong	–	–	–	–
Outside Hong Kong	1,018	27	9,237	80
Deferred tax	879	–	1,914	–
Total tax charge for the period	1,897	27	11,151	80

No provision for Hong Kong profits tax has been made as the Group had no estimated assessable profits arising in Hong Kong during the period.

Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation interpretation and practices in respect thereto.

7. Dividends

No dividend has been paid or declared by the Company or any of the companies comprising the Group during the period ended 30 June 2011 (2010: Nil).

8. Earnings/(loss) per share

The basic earnings per share for the three months and six months ended 30 June 2011 are calculated by dividing the profit for the period attributable to ordinary equity holders of the Company of HK\$31,635,000 (2010: Loss of HK\$1,440,000) and HK\$62,396,000 (2010: Loss of HK\$2,951,000) by the weighted average number of 3,694,592,616 (2010: 2,655,456,000) and 3,472,562,493 (2010: 2,607,397,000) ordinary shares in issue during the corresponding period.

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. During the period ended 30 June 2011 and 2010, there were no potential dilutive ordinary shares outstanding. As a result, the diluted loss per share is the same as basic loss per share.

9. Available-for-sale financial assets

	30 June 2011 HK\$'000 (Unaudited)	31 December 2010 HK\$'000 (Audited)
Beginning of the period/year	6,094	7,439
Net gains/(loss) transfer to equity	(1,177)	(1,359)
Exchange differences	6	14
Provision for impairment loss	-	-
End of the period/year	4,923	6,094
Available-for-sale financial assets include the following:-		
Unlisted equity investment in Hong Kong	169	163
Unlisted investment fund in Vietnam	4,754	5,931
Total	4,923	6,094

10. Inventories

	30 June 2011 HK\$'000 (Unaudited)	31 December 2010 HK\$'000 (Audited)
Raw materials	427,684	570,834
Finished goods	242,251	331,504
Total	669,935	902,338

The group has pledged its inventories with book values of approximately HK\$24 million (31 December 2010: approximately HK\$168 million) to banks to secure its banking facilities granted (*see note 14*).

11. Trade receivables

	30 June 2011 HK\$'000 (Unaudited)	31 December 2010 HK\$'000 (Audited)
Trade receivable – net	366,762	74,005

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally 45 to 60 days. At 30 June 2011 and 31 December 2010, the aging analysis of trade receivables based on invoice date are as follows:

	30 June 2011 HK\$'000 (Unaudited)	31 December 2010 HK\$'000 (Audited)
1 – 30 days	251,845	9,710
31 – 60 days	46,876	33,873
61 – 90 days	34,343	11,299
Over 90 days	33,698	19,123
Total	366,762	74,005

As at 30 June 2011 and 31 December 2010, trade receivables were neither past due nor impaired.

12. Cash and cash equivalents

	30 June 2011 HK\$'000 (Unaudited)	31 December 2010 HK\$'000 (Audited)
Cash at bank and on hand	522,893	705,491
Time deposits	47,660	2,554
	570,553	708,045
Less: Pledge time deposits:		
Pledge for bills payables	(515,729)	(682,591)
Cash and cash equivalent	54,824	25,454

13. Trade payables

	30 June 2011 HK\$'000 (Unaudited)	31 December 2010 HK\$'000 (Audited)
Trade payables	430,126	69,511
Bills payables	1,686,687	1,609,472
Total trade and bills payables	2,116,813	1,678,983

At 30 June 2011 and 31 December 2010, the aging analysis of the trade payables, based on the invoice date, were as follows:

	30 June 2011 HK\$'000 (Unaudited)	31 December 2010 HK\$'000 (Audited)
0 – 30 days	349,072	8,540
31 – 60 days	75,151	179
61 – 90 days	3,526	–
91 – 180 days	275	6,297
Over 180 days	2,102	54,495
Total	430,126	69,511

14. Interest bearing bank and other borrowings

As at 30 June 2011, the bank and other borrowings bear interest at rates ranging from 5.45%-7.27% per annum (31 December 2010: 5.56%-5.61% per annum). Certain bank loans are secured by Group's property, plant and equipment, prepaid land lease payments and inventories with the carrying value of approximately HK\$566 million as at 30 June 2011 (31 December 2010 approximately HK\$704 million).

In addition, certain bank loans of the Group are secured by (1) the land and building of the related companies which is controlled by a director of a subsidiary of the Group; (2) the corporate guarantee provided by the related companies which is controlled by a director of a subsidiary of the Group; and (3) the personal guarantee from a director and certain management of a subsidiary of the Group.

15. Share Capital

	Ordinary shares of HK\$0.01 each	
	No. of shares	HK\$'000
<i>Authorized:</i>		
At 30 June 2011	10,000,000,000	100,000
<i>Issued and fully paid:</i>		
At 30 June 2010	2,626,275,000	26,263
Issue of shares on conversion of convertible bonds (<i>note a</i>)	1,080,000,000	10,800
At 30 June 2011	3,706,275,000	37,063

Note a:

The increase in share capital was due to the conversion of two batches of convertible bonds which were issued on 31 December 2010 ("Tranche I CB") and 18 February 2011 ("Tranche II CB"). On 7 January 2011, Tranche I CB was fully converted into 380,000,000 ordinary shares of the Company. On 24 February 2011, 25 February 2011, 7 March 2011, 17 March 2011, 23 March 2011, 12 May 2011, 31 May 2011, 16 June 2011, Tranche II CB was fully converted into total of 700,000,000 ordinary shares of the Company.

16. Related party transactions

The Group is controlled by Inno Smart Group Limited (“ISG”) (incorporated in the BVI with limited liability) which owns approximately 50.59% (31 December 2010: 71.39%) of the Company’s shares as at 30 June 2011. The remaining 49.41% (31 December 2010: 28.61%) of the shares are widely held. The directors regard ISG as the Group’s ultimate holding company.

(a) Significant related party transactions

In addition to the transactions detailed elsewhere in the interim condensed consolidated financial statements, the Group entered into the following material related party transactions during the period.

	For the three months ended 30 June		For the six months ended 30 June	
	2011 HK\$’000 (Unaudited)	2010 HK\$’000 (Unaudited)	2011 HK\$’000 (Unaudited)	2010 HK\$’000 (Unaudited)
Consulting fee paid to related party, with a common director of the Company	–	150	–	300

(b) Outstanding balance with related company

The amount due to related company, with a common director of the Company, are interest-free, unsecured and repayable on demand. The carrying values are approximate to their fair value.

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATIONS REVIEW

Following the completion of acquisition of Foshan Ruifeng Petroleum and Chemical Fuel Co. Ltd. and its subsidiaries on 31 December 2010, fuel oil processing business has become the Group's major business which was evidenced by the proposal of name change of the Company from ThinSoft (Holdings) Inc to Ruifeng Petroleum Chemical Holdings Limited. An extraordinary general meeting was held on 11 March 2011 at which the Company's shareholders supported to the proposed change. The Company has completed all the procedures and formally changed its name on 4 April 2011.

Fuel oil processing and trading business

The Group is playing as the leader in domestic fuel oil processing and production industry in Guangdong province. Although international fuel oil price has surged for more than 20% in the past six months, the demand of oil was not adversely affected significantly. Given the continuous high economic growth rate in the PRC, the Company is optimistic with the demand of oil.

In order to further develop and extend the fuel oil processing and trading business in the PRC, after the balance sheet date on 22 July 2011, the Group has entered into a new share purchase Agreement (the "New Agreement") to acquire the 70% of equity interest in 舟山博克能源化工有限公司 (Zhoushan Boke Power Co. Ltd.) ("Boke") and to terminate the old Share Purchase Agreement dated 11 April 2011 to acquire (i) 100% of equity interest of Boke and (ii) an option to acquire 100% of equity interest of Zhejiang Yuye Petroleum Co. Ltd. According to the New Agreement, the considerations for acquiring 70% of equity interest in Boke are RMB33 million. The Directors expect that, upon completion of the acquisition, the Company would be able to increase the market share of oil trading industry in the PRC by extending the retail sales network to the eastern China region, enjoying a higher profit. Please refer to the announcements dated 19 April 2011 and 22 July 2011 for the details.

IT business

The software sales was off from the same period a year ago as resulting from the European economic issues, increased competition as well as software piracy. All these contributed to a sales decline for the period under review.

The management understands that managing during uncertain economic times requires patience and confidence which they will continue to demonstrate while waiting for global business conditions to improve.

FINANCIAL REVIEW

Turnover for the period ended 30 June 2011 was increased to approximately HK\$2,503 million when compared to the corresponding previous period of approximately HK\$5 million. The increase was substantially contributed by the fuel oil processing and trading business which accounted for approximately HK\$2,450 million.

Due to the change of cost structure as a result of the newly acquired fuel oil and fuel oil related business, gross profit margin for the period ended 30 June 2011 decreased from last year's approximately 99.1% to this periods 8.2%.

Selling and Administrative expenses for the period ended 30 June 2011 increased to approximately HK\$50 million (30 June 2010: approximately HK\$8 million) which was in line with the increase in turnover. The finance costs mainly represent the borrowing costs arisen from operation of fuel oil processing business.

The Group recorded a profit attributable to equity holders of the Company for the period under review of approximately HK\$62 million (30 June 2010: loss of approximately HK\$3 million).

As at 30 June 2011, the Group's account of cash and bank balances was approximately HK\$55 million (2010: approximately HK\$25 million) and had bank borrowings was approximately HK\$625 million (2010: HK\$432 million).

Two batches of convertible bonds were issued on 31 December 2010 ("Tranche I CB") and 18 February 2011 ("Tranche II CB") to raise approximately HK\$241.3 million and HK\$444.5 million respectively. As at 30 June 2011, both Tranche I CB and Tranche II CB were fully converted into 380,000,000 and 700,000,000 ordinary shares of the Company.

On 25 February 2011, the Company entered into private warrant placing agreements with five independent individuals to place a total of 145,000,000 warrants at the exercise price of HK\$1.2. The net proceeds received by the Company arisen from warrant subscription price were approximately HK\$261,000 which were applied to the Company's working capital. As at 30 June 2011, no warrants have been exercised.

SIGNIFICANT INVESTMENTS

For the period under review, the Group did not have any significant investments.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES/FUTURE PLANS FOR MATERIAL INVESTMENTS

Besides the proposed acquisition as mentioned in operations review section, there had been no material acquisitions and disposals during the period under review.

GEARING RATIO

As at 30 June 2011, the gearing ratio (the interest-bearing bank and other borrowings and convertible bonds divided by total equity) was 76.3% (31 December 2010: 351.5%). The decrease in gearing ratio was the result of the fully conversion of Tranche I CB and Tranche II CB into 380,000,000 ordinary shares and 700,000,000 ordinary shares respectively, during the period ended 30 June 2011.

CHARGES ON GROUP ASSETS

As disclosed in the notes 10 and 14 to the financial statements, as at 30 June 2011, the Group's property, plant and equipment, prepaid land lease payments and inventories of approximately HK\$566 million (31 December 2010: approximately HK\$704 million) were pledged to banks to secure the banking facilities granted.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGES

The Group operates mainly in Mainland China and most of the transactions are denominated in RMB. Given the appreciation of RMB against HKD during the period under review, no financial instrument was used for hedging purposes. It is expected that the appreciation of RMB would have a favourable impact on the Group.

CONTINGENT LIABILITY

The Group did not have any significant contingent liabilities as at 30 June 2011.

SEGMENTAL INFORMATION

The segmental information of the Group's products is set out on pages 11 and 12.

EMPLOYEES

As at 30 June 2011, the Group had approximately 450 full-time employees. The aggregate remuneration of the Group's employees, including that of the directors, for the period under review and the previous period amounted to approximately HK\$17 million and approximately HK\$5 million respectively. The Group remunerates its employees based on their performance, experience and the prevailing industry practice.

Each of the executive Directors has entered into a service contract with the Company for the term of two years. Under the service contracts, after each completed year of service, the remuneration payable to each of them may, subject to the discretion of the directors, be adjusted and each will be entitled to a discretionary bonus.

At the date of this report, all share options granted to the employees of the Group pursuant to the Pre-IPO share option scheme adopted by the Company on 2 February 2002 were lapsed and no share options have been granted under the Post-IPO share option scheme adopted by the Company on 2 February 2002.

Other remuneration and benefits, including retirement benefits scheme, remained at appropriate level. Particulars are detailed in the relevant section of this report.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2011, 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 corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required to be notified to the Company and the Stock Exchange pursuant to rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by Directors, were as follows:

Name of Directors	Beneficial owner	No. of shares held by controlled corporation	Total	Percentage of the issued share capital of the Company
Mr. Dennis Yu Won Kong (Notes 1 & 2)	3,150,000	1,875,000,000	1,878,150,000	50.67
Mr. Yue Wai Keung (Notes 1 & 3)	-	1,875,000,000	1,875,000,000	50.59

Notes:

- Inno Smart Group Limited is beneficially owned 50% by Daylight Express Investments Limited and 50% by Billion Sky Resources Limited. For the purpose of Part XV of the SFO, each of Daylight Express Investments Limited and Billion Sky Resources Limited is deemed to be interested in the shares of the Company held by Inno Smart Group Limited.

2. Daylight Express Investments Limited is wholly owned by Strong Choice Investments (Holding) Limited, which is in turn wholly owned by Mr. Yu Won Kong Dennis (“Mr. Yu”), an executive Director. For the purpose of the Part XV of SFO, Daylight Express Investments Limited is deemed to be interested in the shares of the Company which Strong Choice Investments (Holdings) Ltd is interested in. Mr. Yu is deemed to be interested in the shares of the Company which Daylight Express Investments Limited is interested in. Mr. Yu’s spouse, Ho Siu Lan Sandy is deemed to be interested in the Shares directly and indirectly held by Mr. Yu.
3. Billion Sky Resources Limited is wholly owned by Mr. Yue Wai Keung (“Mr. Yue”), an executive Director. For the purpose of Part XV of SFO, Mr. Yue is deemed to be interested in the shares of the Company which Billion Sky Resources Limited is interested in. Mr. Yue’s spouse, Man Wing Tuen is deemed to be interested in the Shares indirectly held by Mr. Yue.

Save as disclosed above, as at 30 June 2011, none of the Directors or chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required to be notified to the Company and the Stock Exchange pursuant to rules 5.46 to 5.67 of GEM Listing Rules relating to securities transactions by Directors.

As at 30 June 2011, the following person had interests and/or short positions in the shares and underlying shares of the Company which was recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long position in ordinary shares of the Company

Name	Capacity	Number of ordinary shares held	Approximate percentage of the Company's issued share capital
Inno Smart Group Limited (Note 1)	Beneficial interest	1,875,000,000	50.59%
Strong Choice Investments (Holding) Limited (Note 1)	Interest of controlled corporation	1,875,000,000	50.59%
Mr. Dennis Yu Won Kong (Note 1)	Beneficial interest	3,150,000	0.08%
	Interest of a controlled corporation	1,875,000,000	50.59%
Billion Sky Resources Limited (Note 2)	Interest of a controlled corporation	1,875,000,000	50.59%
Mr. Yue Wai Keung (Note 2)	Interest of a controlled corporation	1,875,000,000	50.59%

Notes:

1. Please refer to Notes 1 and 2 in the "Directors' and chief executives' interests and short positions in the shares, underlying shares and debentures of the Company or any associated corporation" section for details.
2. Please refer to Note 3 in the "Directors' and chief executives' interests and short positions in the shares, underlying shares and debentures of the Company or any associated corporation" section for details.

Save as disclosed above, as at 30 June 2011, there was no person had an interest or short position in the shares or underlying shares of the Company as recorded in the register to be kept under Section 336 of the SFO.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six-month period ended 30 June 2011, there was no purchase, sale or redemption by the Company, or any of its subsidiaries, of the Company's listed securities.

COMPLIANCE WITH RULES 5.48 TO 5.67 OF THE GEM LISTING RULES

The Company has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all directors, the Company's directors have complied with the required standard of dealings and the Company's code of conduct regarding securities transactions by the directors throughout the six-month period ended 30 June 2011.

COMPETING INTEREST

None of the directors or the management shareholders and their respective associates of the Company (as defined in the GEM Listing Rules) had any business or interest which competes or may compete with the business of the Group nor any other conflicts of interest with the Group during the period under review.

COMPLIANCE WITH CODE OF CORPORATE GOVERNANCE PRACTICE

The Company applied the principles and complied with all the code provisions as set out in the Code on Corporate Governance Practices contained in Appendix 15 of the GEM Listing Rules throughout the period under review.

AUDIT COMMITTEE

The primary duties of the audit committee are to review and supervise the financial reporting process and internal controls system of the Group. The audit committee comprises three members, Dr. Chen Tzyh-Trong, Dr. Lee Chung Mong, and Mr. Yeung Chi Hung. All of them are independent non-executive directors of the Company.

The Group's unaudited condensed consolidated financial information for the six-months ended 30 June 2011 have been reviewed by the audit committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosure has been made.

DIRECTORS OF THE COMPANY

Executive directors of the Company as at the date of this report are Mr. Dennis Yu Won Kong and Mr. Yue Wai Keung; the non-executive director is Mr. Chan Kwan Pak; and the independent non-executive directors are Dr. Chen Tzyh-Trong, Dr. Lee Chung Mong and Mr. Yeung Chi Hung.

ON BEHALF OF THE BOARD

Dennis Yu Won Kong

Chairman

Hong Kong
12 August 2011