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瑞豐石化

Third Quarterly Report **2011**

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

THE NEW ERA BEGINS WITH US



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 higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk 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 and no assurance is given that there will be a liquid market in the securities traded on GEM.

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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 enquiries, confirm that, to the best of their knowledge and belief:– (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) 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.

RESULTS

The board of directors of Ruifeng Petroleum Chemical Holdings Limited (the “Company”) presents the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the three months and nine months ended 30 September 2011 together with the comparative figures for the corresponding periods in last financial year.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	<i>Note</i>	Unaudited		Unaudited	
		For the three months		For the nine months	
		2011	2010	2011	2010
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue	2	1,774,437	1,448	4,277,097	6,756
Cost of sales		(1,717,420)	(23)	(4,014,721)	(69)
Gross profit		57,017	1,425	262,376	6,687
Other income	2	1,965	2	9,753	6
Distribution expenses		(1,689)	(134)	(5,924)	(420)
Administrative expenses		(23,169)	(4,641)	(69,391)	(12,492)
Finance costs		(32,066)	–	(121,209)	–
Profit/(Loss) before tax		2,058	(3,348)	75,605	(6,219)
Income tax expenses	3	(751)	11	(11,902)	(69)
Profit/(Loss) for the period attributable to the equity holder of the Company		1,307	(3,337)	63,703	(6,288)
Earning/(Loss) per share attributable to the equity holder of the Company					
– basic (HK cents per share)	5	0.035	(0.127)	1.794	(0.241)
– diluted (HK cents per share)	5	0.035	(0.127)	1.793	(0.241)

	Unaudited		Unaudited	
	For the three months		For the nine months	
	ended 30 September		ended 30 September	
	2011	2010	2011	2010
<i>Note</i>	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Profit/(Loss) for the period	1,307	(3,337)	63,703	(6,288)
Other comprehensive (loss)/income:				
Revaluation deficit on available- for-sale financial assets	(56)	(603)	(1,233)	(1,666)
Exchange differences on translation of foreign operations	7,056	587	16,039	611
Total other comprehensive (loss)/ income for the period, net of tax	7,000	(16)	14,806	(1,055)
Total comprehensive (loss)/income for the period attributable to equity holder of the Company	8,307	(3,353)	78,509	(7,343)

NOTES

1. Principal accounting policies and basis of preparation

The unaudited consolidated financial information for the nine months ended 30 September 2011 has been prepared to comply with the disclosure requirements of the GEM Listing Rules. The consolidated 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 principal accounting policies used in the preparation of these unaudited consolidated financial information for the nine months ended 30 September 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.

2. Revenue and other income

Revenue comprises the fair value of the consideration received or receivable for the sale of softwares, 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 September		Nine months ended 30 September	
	2011	2010	2011	2010
	HK\$’000	HK\$’000	HK\$’000	HK\$’000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue:				
Sale of softwares	1,367	1,448	4,489	6,756
Sale of processed fuel oil	1,773,070	–	4,272,608	–
	1,774,437	1,448	4,277,097	6,756
Other income:				
Interest income	1,830	2	9,150	6
Other	135	–	603	–
	1,965	2	9,753	6

3. Income tax expenses

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 (2010: Nil).

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.

4. Dividends

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

5. Earnings/(loss) per share

Basic

The basic earnings per share for the three months and nine months ended 30 September 2011 are calculated by dividing the profit for the period attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares in issue during the corresponding period.

	Unaudited For the three months ended 30 September 2011		Unaudited For the nine months ended 30 September 2011	
	2011	2010	2011	2010
Profit/(Loss) for the period attributable to the equity holder of the Company (HK\$'000)	1,307	(3,337)	63,703	(6,288)
Weighted average number of ordinary shares in issue for calculating basic earnings per share (in '000)	3,706,275	2,626,275	3,551,612	2,611,770

Diluted

Diluted earnings per share is calculated adjusting the weighted average number of shares outstanding to assume conversion of all dilutive potential shares. The diluted potential share of the Company is the share options. The adjustment for share options is determined by the number of shares that could have been acquired at fair value (determined as the average annual market price of the Company's Shares) based on the monetary value of the subscription rights attached to the outstanding share options. The number of shares calculated is compared with the number of shares that would have been issued assuming the exercise of the share options.

	Unaudited		Unaudited	
	For the three months		For the nine months	
	ended 30 September		ended 30 September	
	2011	2010	2011	2010
Profit/(Loss) for the period attributable to the equity holder of the Company (HK\$'000)	1,307	(3,337)	63,703	(6,288)
Weighted average number of ordinary shares in issue for calculating basic earnings per share (in '000)	3,706,275	2,626,275	3,551,612	2,611,770
Effect of share options ('000)	3,457	–	1,170	–
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share (in '000)	3,709,732	2,262,275	3,552,782	2,611,770

No adjustment has been made to the calculation of diluted loss per share for the three and nine months ended 30 September 2010 as there are no outstanding share options as at 30 September 2010.

6. Share Capital

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

7. Reserves

	Share Capital HK\$'000 (unaudited)	Share Premium HK\$'000 (unaudited)	Capital Reserve HK\$'000 (unaudited)	Equity component of convertible bonds HK\$'000 (unaudited)	Share-based Payment Reserve HK\$'000 (unaudited)	Currency Translation HK\$'000 (unaudited)	Available- for-sale financial assets HK\$'000 (unaudited)	Retained Earning/ (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 (loss)/income	-	-	-	-	-	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
Comprehensive income/(loss)									
Loss for the period	-	-	-	-	-	-	-	(3,337)	(3,337)
Total other comprehensive loss	-	-	-	-	-	587	(603)	-	(16)
Total comprehensive income/(loss)	-	-	-	-	-	587	(603)	(3,268)	(3,284)
Balance at 30 September 2010	26,263	84,069	6,840	-	-	4,506	1,470	(26,754)	96,394

	Share Capital HK\$'000 (unaudited)	Share Premium HK\$'000 (unaudited)	Capital Reserve HK\$'000 (unaudited)	Equity component of convertible bonds HK\$'000 (unaudited)	Share-based Payment Reserve HK\$'000 (unaudited)	Currency Translation HK\$'000 (unaudited)	Available- for-sale financial assets HK\$'000 (unaudited)	Retained Earning/ (Accumulated losses) HK\$'000 (unaudited)	Total HK\$'000 (unaudited)
Balance at 1 January 2011	26,263	84,068	6,840	87,094	-	4,836	1,777	(45,702)	165,176
Comprehensive income/(loss)									
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
Comprehensive income/(loss)									
Profit for the period	-	-	-	-	-	-	-	1,307	1,307
Total other comprehensive loss	-	-	-	-	-	7,056	(56)	-	7,000
Total comprehensive income/(loss)	-	-	-	-	-	7,056	(56)	1,307	8,307
Recognition of share-based payment	-	-	-	-	1,175	-	-	-	1,175
Balance at 30 September 2011	37,063	743,539	7,246	-	1,175	20,875	544	18,001	828,443

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 major business of the Group.

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 in the past nine months, the demand of oil was not adversely affected significantly. For the three months period ended 30 September 2011 and for the nine months period ended 30 September 2011, the Group recorded a revenue of approximately of HK\$1,774 million and HK\$4,273 million, respectively.

Acquisition of Boke

In order to further develop and extend the fuel oil processing and trading business in the PRC, the Group has entered into a new share purchase Agreement (the "New Agreement") on 22 July 2011 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 acquired (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 approximately 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 circular dated 25 September 2011 for the details. As stated in the circular, the completion of the acquisition of Boke is subject to the conditions stated in the paragraph headed "Conditions precedent and Completion" in the Circular (the "Conditions"). As additional time is required for the fulfillment of the Conditions, the Group has entered into a supplement agreement on 28 October 2011 pursuant to which the long stop date of the New Agreement has been extended to 30 November 2011. Please refer to the announcements dated 28 October 2011 for the details.

Electronic transaction platform

On 15 September 2011, the Group has entered into Memorandum of Understanding with the China E-Commerce Association Development Fund to develop and operate an electronic transaction platform for petroleum chemical products. The Directors believe that, upon the completion of the Electronic Transaction platform, it will allow the Company to enter into the electronic trading market of the petroleum chemical products, widen the Company's income stream and also bring synergy effect to the existing chemical petroleum business. Please refer to the announcements dated 15 September 2011 for the details.

In addition to the Boke and Electronic transaction platform, the Group is actively looking for other investment opportunities in fuel oil processing and trading business in China and other countries.

IT business

The software sales decreased from approximately HK\$6.8 million for the nine months period ended 30 September 2010 to approximately HK\$4.5 million for the nine months period ended 30 September 2011. The decrease in sales is due to 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 September 2011 was increased to approximately HK\$4,277 million when compared to the corresponding previous period of approximately HK\$7 million. The increase was substantially contributed by the fuel oil processing and trading business which accounted for approximately HK\$4,273 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 September 2011 decreased from last year's approximately 99.0% to this periods 6.1%.

Distribution and administrative expenses for the period ended 30 September 2011 increased to approximately HK\$75 million (30 September 2010: approximately HK\$13 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\$64 million (30 September 2010: loss of approximately HK\$6 million).

As at 30 September 2011, the Group had cash and bank balances of approximately HK\$7 million (31 December 2010: approximately HK\$25 million) and had bank borrowings of approximately HK\$575 million (31 December 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 September 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. Please refer to the announcements dated 27 February 2011 for the details. As at 30 September 2011, no warrants have been exercised.

Subsequent to period ended on 3 October 2011, the Company entered into a conditional placing and subscription agreement, of which 60,000,000 shares were successfully placed and issued at HK\$0.7 per shares, representing 1.59% of the enlarged issued share capital of the Company, raising net proceeds of approximately HK\$40.7 million. Please refer to the announcements dated 4 October 2011 and 13 October 2011 for the details.

Subsequent to period ended on 16 October 2011, the Company entered into a non-legal binding strategic corporation agreement with EU-China Fund Management Limited ("EU China") pursuant to which EU China, through its own or other relevant channel, is expected to invest no less than RMB4 billion in the Group within two years from the date of the strategic corporation agreement. Please refer to the announcements dated 19 October 2011 for the details.

Employees

As at 30 September 2011, the Group had approximately 453 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\$26 million and approximately HK\$8 million respectively. The Group remunerates its employees based on their performance, experience and the prevailing industry practice.

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 246,900,000 new share options have been granted on 22 August 2011 under the Post-IPO share option scheme (the "Post-Scheme") adopted by the Company on 2 February 2002. Please refer to the paragraphs headed "Share Option Scheme" of this quarterly report for the details.

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 September 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:

Long position in ordinary shares of the Company

Name	Beneficial owner	No. of shares held by controlled corporation	Total	Percentage of the issued share capital of the Company
Directors				
Mr. Dennis Yu Won Kong (Notes 1 & 2)	43,150,000	1,875,000,000	1,918,150,000	51.75%
Mr. Yue Wai Keung (Notes 1 & 3)	40,000,000	1,875,000,000	1,915,000,000	51.67%
Mr. Chan Kwan Pak	3,000,000	–	3,000,000	0.08%
Dr. Chen Tych-Trong	3,000,000	–	3,000,000	0.08%
Dr. Lee Chung Mong	3,000,000	–	3,000,000	0.08%
Mr. Yeung Chi Hung	3,000,000	–	3,000,000	0.08%
Chief Executive Officer				
Mr. So Sang Yee	60,000,000	–	60,000,000	1.62%

Notes:

1. 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 (Holdings) 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 September 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.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 30 September 2011, the following substantial shareholders and other persons 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 <i>(Note 1)</i>	Beneficial interest	1,875,000,000	50.59%
Strong Choice Investments (Holding) Limited <i>(Note 1)</i>	Interest of controlled corporation	1,875,000,000	50.59%
Mr. Dennis Yu Won Kong <i>(Note 1)</i>	Beneficial interest	43,150,000	1.16%
	Interest of a controlled corporation	1,875,000,000	50.59%
Billion Sky Resources Limited <i>(Note 2)</i>	Interest of a controlled corporation	1,875,000,000	50.59%
Mr. Yue Wai Keung <i>(Note 2)</i>	Beneficial interest	40,000,000	1.08%
	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 executive’s interests and short positions in shares, underlying shares and debentures” section for details.
2. Please refer to Note 3 in the “Directors’ and chief executive’s interests and short positions in shares, underlying shares and debentures” section for details.

Save as disclosed above, as at 30 September 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.

Share Option Scheme

On 22 August 2011, 246,900,000 new share options have been granted under the Post-Scheme adopted by the Company.

The following table discloses movements in the outstanding share options during the period:

Grantee	Date of grant	Outstanding at 1 January 2011	Granted during the period	Forfeited during the period	Outstanding	Exercise period	Exercise price
					at 30 September 2011		
(Executive Directors)							
Mr. Dennis Yu Won Kong	22 August 2011	-	20,000,000	-	-	22 February 2012 to 22 February 2014	HK\$0.706
	22 August 2011	-	20,000,000	-	-	22 February 2013 to 22 February 2014	HK\$1.059
Mr. Yue Wai Keung	22 August 2011	-	20,000,000	-	-	22 February 2012 to 22 February 2014	HK\$0.706
	22 August 2011	-	20,000,000	-	-	22 February 2013 to 22 February 2014	HK\$1.059
(Non-executive Director)							
Mr. Chan Kwan Pak	22 August 2011	-	1,500,000	-	-	22 February 2012 to 22 February 2014	HK\$0.706
	22 August 2011	-	1,500,000	-	-	22 February 2013 to 22 February 2014	HK\$1.059

Grantee	Date of grant	Outstanding at 1 January 2011	Granted during the period	Forfeited during the period	Outstanding at 30 September 2011	Exercise period	Exercise price
(Independent Non-executive Directors)							
Dr. Chen Tzyh-Trong	22 August 2011	-	1,500,000	-	-	22 February 2012 to 22 February 2014	HK\$0.706
	22 August 2011	-	1,500,000	-	-	22 February 2013 to 22 February 2014	HK\$1.059
Dr. Lee Chung Mong	22 August 2011	-	1,500,000	-	-	22 February 2012 to 22 February 2014	HK\$0.706
	22 August 2011	-	1,500,000	-	-	22 February 2013 to 22 February 2014	HK\$1.059
Mr. Yeung Chi Hung	22 August 2011	-	1,500,000	-	-	22 February 2012 to 22 February 2014	HK\$0.706
	22 August 2011	-	1,500,000	-	-	22 February 2013 to 22 February 2014	HK\$1.059
Chief Executive Officer							
Mr. So Sang Yee, Philip	22 August 2011	-	20,000,000	-	-	22 February 2012 to 22 February 2014	HK\$0.706
	22 August 2011	-	20,000,000	-	-	22 February 2013 to 22 February 2014	HK\$1.059
	22 August 2011	-	20,000,000	-	-	22 February 2014 to 22 February 2015	HK\$1.376
Other employees							
In aggregate	22 August 2011	-	47,450,000	-	-	22 February 2012 to 22 February 2014	HK\$0.706
	22 August 2011	-	47,450,000	-	-	22 February 2013 to 22 February 2014	HK\$1.059
Total		-	246,900,000	-	-		

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the nine-month period ended 30 September 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 nine-month period ended 30 September 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 nine-months ended 30 September 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

14 November 2011