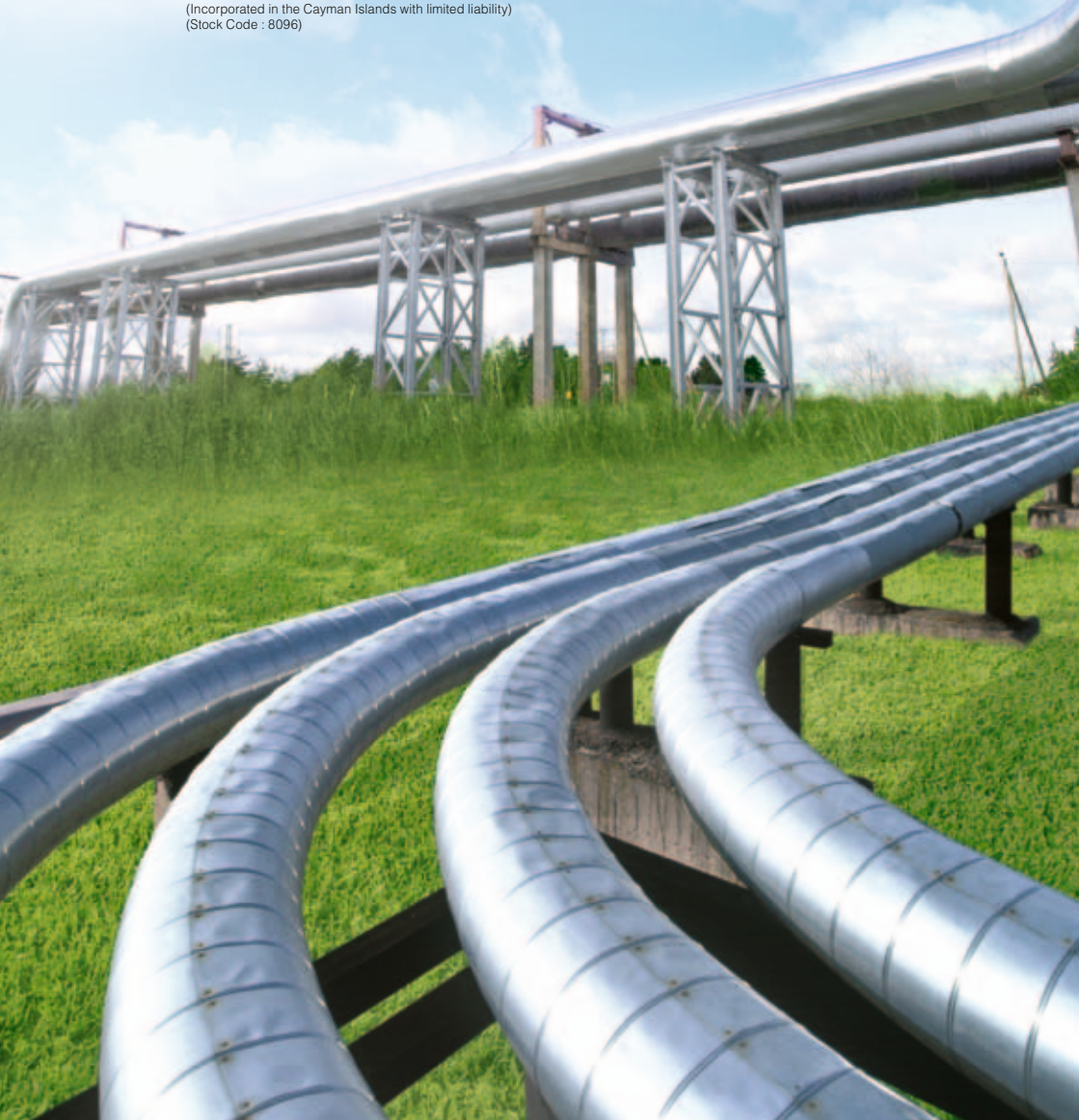




RPC 瑞豐石化

Ruifeng Petroleum Chemical Holdings Limited
瑞豐石化控股有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code : 8096)



THE NEW ERA BEGINS WITH US

First Quarterly Report 2012

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 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.

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 ended 31 March 2012 together with the unaudited comparative figures for the corresponding periods in last financial year.

UNAUDITED CONSOLIDATED INCOME STATEMENT

	<i>Note</i>	For the three months ended 31 March	
		2012	2011
		HK\$'000	HK\$'000
Revenue	2	6,854	1,028,162
Cost of sales		(6,001)	(915,009)
Gross profit		853	113,153
Other income	2	6,188	3,846
Selling and distribution expenses		(219)	(2,428)
Administrative expenses		(31,815)	(25,632)
Finance costs		(15,364)	(48,924)
(Loss)/profit before income tax		(40,357)	40,015
Income tax expense	3	(686)	(9,254)
(Loss)/profit for the period attributable to equity holders of the Company		(41,043)	30,761
(Loss)/earnings per share attributable to the equity holders of the Company during the period (expressed in Hong Kong cent per share)			
Basic	6	(0.96)	0.95
Diluted	6	N/A	0.94
Dividend		–	–

UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the three months ended 31 March	
	2012 HK\$'000	2011 HK\$'000
(Loss)/profit for the period	(41,043)	30,761
Other comprehensive (loss):		
Exchange translation differences	(190)	(1)
Revaluation deficit on available-for-sale financial assets	-	(970)
Total other comprehensive (loss) for the period, net of tax	(190)	(971)
Total comprehensive (loss)/income for the period attributable to equity holders of the Company	(41,233)	29,790

NOTES

1. Principal accounting policies and basis of preparation

1.1 Basis of preparation

The unaudited consolidated financial information for the three months ended 31 March 2012 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 consolidated financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2011, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA.

1.2 Accounting policies

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2011, as described in those annual financial statements.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. The adoption of these new and revised HKFRSs did not result in substantial changes to the Group’s accounting policies and amounts reported for the current year and prior years.

The Group has not applied the new HKFRSs that have been issued but are not yet effective. The application of these new HKFRSs will not have material impact on the financial statements of the Group.

2. Revenue and other income

Revenue comprises the fair value of the consideration received or receivable for the sale of computer software, 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:

	For the three months ended 31 March	
	2012 HK\$'000	2011 HK\$'000
Revenue:		
Sale of computer software	1,154	1,608
Sale of processed fuel oil	5,700	1,026,554
	6,854	1,028,162
Other income:		
Interest income	5,410	3,481
Other	778	365
	6,188	3,846

3. Income tax expenses

Hong Kong profits tax has been provided at the tax rate of 16.5% on the estimated assessable profit for the three months ended 31 March 2012 and 2011. 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, interpretations and practices in respect thereof.

4. Dividends

No dividend has been recommended, declared or paid by the Company or the Group for the three months ended 31 March 2012 (2011: Nil).

5. Share Capital

	Ordinary shares of HK\$0.01 each	
	No. of shares	HK\$
Authorised:		
At 31 March 2011	10,000,000,000	100,000,000
At 31 March 2011	10,000,000,000	100,000,000
Issued and fully paid:		
At 31 March 2011	3,689,261,803	36,892,618
Issue of shares by conversion of convertible bonds	17,013,197	170,132
Issue of shares by placement	335,672,000	3,356,720
Deed of settlement and specific mandate to issue new share (note a)	664,020,000	6,640,200
Deed of settlement and general mandate to issue new share (note b)	145,851,617	1,458,516
At 31 March 2012	4,851,818,617	48,518,186

Note a:

On 30 January 2012, the Deed of Settlement was entered into between the Company and Mr. Xu Zi Ming ("the Creditor"), pursuant to which, the Creditor requested the settlement of Loan by capitalizing it (the principal amount together with accrued interest up to 30 January 2012 amounted to RMB110,400,000 (approximately HK\$135,792,000)) into the capital of the Company by means of issuing and allotting 664,020,000 new shares of the Company ("Loan Settlement Shares") to the Creditor. The Creditor is a natural person from PRC. The Special Mandate was duly passed by the Company's shareholder on 22 March 2012 and the Loan Settlement Shares were issued on 28 March 2012.

Note b:

On 17 February 2012, the Company has entered into (i) the First Deed of Settlement with Mr. Huang, pursuant to which Mr. Huang requested the full and final settlement of the First Loan by capitalization of the First Loan (the aggregate outstanding principal amount together with accrued interest amounted in aggregate to RMB20,187,800 (approximately HK\$24,871,370)) to the capital of the Company by the issue and allotment of the First Batch Settlement Shares to Mr. Huang; and (ii) the Second Deed of Settlement with Mr. Li, pursuant to which Mr. Li requested the full and final settlement of the Second Loan by capitalization of the Second Loan (the aggregate outstanding principal amount together with accrued interest amounted in aggregate to RMB5,715,068 (approximately HK\$7,040,964)) to the capital of the Company by the issue and allotment of the Second Batch Settlement Shares to Mr. Li. The issue of the Loan Settlement Shares was not subject to Shareholders' approval as the Loan Settlement Shares were issued under the General Mandate. The First Batch Settlement Shares of 113,671,707 new shares were allotted to Mr. Huang on 28 February 2012. The Second Batch Settlement Shares of 32,179,910 new shares were allotted to Mr. Li on 28 February 2012.

6. (Loss)/earnings per share

	Unaudited For the three months ended 31 March 2012	
	2012	2011
(Loss)/profit for the period attributed to the equity holder of the Company (HK\$'000)	(41,043)	30,761
Weighted average number of ordinary share in issue for calculating basic (loss)/earnings per share (in '000)	4,299,921	3,245,603
Effect of convertible bonds ('000)	–	17,013
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share (in'000)	4,299,921	3,262,616

Basic (loss) per share is calculated by dividing the (loss) attributable to equity holders of the Company for the three months ended 31 March 2012 of approximately HK\$41,043,000 (31 March 2011: profit of approximately HK\$30,761,000) by the weighted average number 4,299,920,797 (31 March 2011: 3,245,602,825) ordinary shares in issue during the period.

Diluted (loss)/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 as at 31 March 2012. Because the amount of diluted loss per share is increased when taking share options into account, the share options had an anti-dilutive effect on the basic loss per share for the period and were ignored in the calculation of diluted loss per share.

7. Reserves

	Attributable to the equity holders of the Company									
	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Equity component of convertible bonds HK\$'000	Non-listed warrants reserve HK\$'000	Share-based payment reserve HK\$'000	Currency translation reserve HK\$'000	Available-for-sale financial assets HK\$'000	Accumulated losses HK\$'000	Total equity HK\$'000
Balance at 1 January 2011	26,263	84,068	6,840	87,094	-	-	4,836	1,777	(45,702)	165,176
Comprehensive income										
Profit for the period	-	-	-	-	-	-	-	-	30,761	30,761
Total other comprehensive loss	-	-	-	-	-	-	(1)	(970)	-	(971)
Total comprehensive income/(loss)	-	-	-	-	-	-	(1)	(970)	30,761	29,790
Issue of non-listed warrants	-	-	-	-	406	-	-	-	-	406
Issue of convertible bonds	-	-	-	160,437	-	-	-	-	-	160,437
Issue of shares upon conversion of convertible bonds	10,630	648,785	-	(243,632)	-	-	-	-	-	415,783
Balance at 31 March 2011	36,893	732,853	6,840	3,899	406	-	4,835	807	(14,941)	771,592
Balance at 1 January 2012	39,983	837,685	6,840	-	406	2,970	25,707	-	(21,616)	891,975
Comprehensive (loss)										
(Loss) for the period	-	-	-	-	-	-	-	-	(41,043)	(41,043)
Total other comprehensive (loss)	-	-	-	-	-	-	(190)	-	-	(190)
Total comprehensive (loss)	-	-	-	-	-	-	(190)	-	(41,043)	(41,233)
Issue of shares	8,535	168,859	-	-	-	-	-	-	-	177,394
Release on forfeiture of share options	-	-	-	-	-	(1,514)	-	-	1,514	-
Release on forfeiture of non-listed warrants	-	-	-	-	(406)	-	-	-	406	-
Balance at 31 March 2012	48,518	1,006,544	6,840	-	-	1,456	25,517	-	(60,739)	1,028,136

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATION REVIEW

For the period ended 31 March 2012, the Group is engaged in (i) fuel oil processing and trading business and (ii) the development and distribution of computer software and related products (the "IT business").

Fuel oil processing and trading business

Carried through from the fourth quarter of 2011 with this quarter under review, the demand of fuel oil in mainland China decreased as the result of the slowdown in economy growth and decrease in its manufacturing rate in mainland China. In addition, the increase in international crude oil and fuel oil price and the domestic regulation and tight control over the selling price of refined oil products in mainland China has seriously affected the margin of the fuel oil products in mainland China since the third quarter of 2011 (collectively the "Unfavorable Macro Factors"). During the first quarter of 2012, the fuel oil processing and trading business was continually adversely affected by the Unfavorable Macro Factors with even larger magnitude. The international crude oil and fuel oil price continued to climb to new high since the 2008 financial crisis in the first quarter of 2012, on the other hand, the selling prices of refined oil products were still tightly controlled by the China government. Moreover, the worries over the fiscal and sovereign debt crisis in euro-zone countries have further dampened the economy growth and the manufacturing rate as well as the demand of fuel oil in mainland China.

Similar to other companies in the fuel oil processing and trading industry in mainland China, for the period under review, the Group has faced a difficult business environment. The Group recorded gross loss margin of 5.3% in the fuel oil processing and trading business in the first quarter of 2012, which has deteriorated further from the gross loss margin of 3.1% in the fourth quarter of 2011. As compared to the same period of 2011, the gross margin has been eroded completely from a gross profit margin of 10.9% for the 3 months period ended 31 March 2011 to gross loss margin of 5.3% for the 3 months period ended 31 March 2012. In response to the severely Unfavorable Macro Factors and non-profit market conditions of fuel oil processing and trading business, in which the cost of sales was higher than the selling price of the fuel oil products in the first quarter of 2012, the Group did not go for turnover at the expenses of the profit margin to control the extent of the gross loss of the Group in the fuel oil processing and trading business until the market conditions improved and the gross margins of the fuel oil products returned to a profitable level. Unfortunately, there was no improvement in the market conditions and the margins of the fuel oil products throughout the first quarter of 2012, as a result, for the period under review, the Group recorded a significant decrease in revenue from approximately HK\$1,026.6 million to approximately HK\$5.7 million.

On the other hand, as further disclosed under the heading "Litigation" in page 14 of this report, the Company, Foshan Ruifeng Petroleum and Chemical Fuel Company Limited (its major fuel oil processing and trading operating subsidiaries) and certain of its subsidiaries, have been listed as defendants in a total of 22 court cases with total amount claimed against the Group of RMB364.8 million (the "Court Cases"). Except for one of the 22 Court Cases, in which judgment has been entered against a wholly-owned subsidiary of the Company for about RMB3 million, the outcomes of the others Court Cases remained uncertain as at the date of this report. Nevertheless, the accumulated effect of the Court Cases may start to have an adverse effect on the Group's market standing and competitiveness in the fuel oil processing and trading business in mainland China and create further challenges to the Group.

Beside waiting for the market conditions turnaround, in order to actively face the challenges and difficulties of the Group, on 13 April 2012, Inno Smart Group Limited sold 1,100,000,000 shares of the Company (representing approximately 22.7% of the existing issued share capital of the Company) to Black Sea Horizon Investment Holdings Limited, which is 60% owned by Beijing Black Sea Horizon Investment Holdings Limited (the "Beijing Black Sea") and is 40% owned by Mr. Chan Wai Lun, Anthony and his family member (collectively the "New Substantial Shareholders"). Mr. Chan Wai Lun, Anthony was also appointed as the executive directors and Chairman of the Company on 13 April 2012. Beijing Black Sea and its subsidiaries are mainly engaged in local and international investments, including the imports and exports and trading of oil, oil storages etc. On the other hand, Mr. Chan Wai Lun, Anthony, is the managing director of STDM China Holding Limited and STDM Management (China) Limited and also served as executive director of Shun Tak Holdings Limited (stock code: 242), a company listed on the Stock Exchange of Hong Kong Limited from 1991 to 2009.

With the support of New Substantial Shareholders also having business network and expertise in oil industry, the Group will diversify the sourcing of raw materials with the aim to procuring price competitive and stable raw materials to improve the profit margin of the oil products. In addition, the New Substantial Shareholders will continue to assist the Company to maintain constructive dialogues with the plaintiffs of the Court Cases and actively monitor the progress of the Court Cases.

Although the market conditions of the fuel oil processing and trading business in the second quarter of 2012 may remain as difficult as the first quarter 2012, given the continuing economy growth in mainland China, the Group remains cautiously optimistic towards the fuel oil processing and trading business in mainland China for the mid-to-long run despite the uncertainties in the recent complicated economic environment.

Acquisition of Boke

With aim to extend the fuel oil processing and trading business in the mainland China, 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 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. Pursuant to the New Agreement, the considerations for acquiring 70% of equity interest in Boke are approximately RMB33.0 million. The Directors foresee that the Company would be able to increase the market share of oil trading in the mainland China by extending the sales network to the eastern China, as a result of the acquisition. As additional time is required for the fulfillment of the precedent conditions, the Company has entered into a third supplemental agreement on 31 January 2012, pursuant to which the Long Stop Date of the New Share Purchase Agreement has been further extended from 31 January 2012 to 31 March 2012 (or such other date as agreed between the parties to the New Share Purchase Agreement).

As the business registration of the change in 70% equity interest of Boke is still in progress, the Group and the vendor have entered into a fourth supplemental agreement on 30 March 2012 pursuant to which the Long Stop Date of the New Share Purchase Agreement (as supplemented by the supplemental agreements dated 28 October 2011, 28 November 2011 and 31 January 2012 respectively) has been further extended from 31 March 2012 to 30 June 2012 (or such other date as agreed between the parties to the New Share Purchase Agreement).

Saved as disclosed above, all other terms and conditions of the New Share Purchase Agreement (as supplemented by the supplemental agreements dated 28 October 2011, 28 November 2011 and 31 January 2012 respectively) remain unchanged and in full force and effect.

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 petrochemical 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 petrochemical products, widen the Company’s income stream and also bring synergy to the existing business. Please refer to the Company’s announcement dated 15 September 2011 for the details.

Strategic Cooperation Agreement with EU China

On 16 October 2011, the Company has entered into the Strategic Cooperation Agreement with EU-China Fund Management Limited (the "EU China") pursuant to which EU China is expected to invest no less than RMB4 billion into the Company within two years from the date of the Strategic Cooperation Agreement. Strategic Cooperation Agreement offers an opportunity to the Group to expand its investment scale in China, including oil refinery, storage and harbor facilities and is a recognition of the Company's business from the market. With the Strategic Cooperation Agreement, the Company could have more capital to further develop its oil trading business, as well as introduce international investors to expand its shareholders base. Please refer to the Company's announcement dated 19 October 2011 for the details.

IT business

The IT business has experienced a decline both in its turnover and gross profit in the reporting period. It recorded revenue of approximately of HK\$1.2 million, representing a 28% decrease comparing to same period of last year of approximately of HK\$1.6 million. The decrease is mainly due to the slow recovery of the global economy. The sluggish consumer demand has inevitably hampered the consumer-spending sentiment and hindered the IT business. The gross profit of IT business is approximate of 100% which was same as the same period last year.

FINANCIAL REVIEW

Turnover for the period ended 31 March 2012 decrease to approximately HK\$6.9 million (31 March 2011: approximately HK\$1,028.2 million). The decrease was substantially attributed to significant decrease in sales of the oil processing and trading business.

The fuel oil processing and trading business and IT business contributed gross loss of approximately HK\$0.3 million (31 March 2011: gross profit of approximately HK\$111.6 million) and gross profit of approximately HK\$1.2 million (31 March 2011: gross profit of approximately HK\$1.6 million) to the Group respectively, for the period under review.

The total gross profit margin of the Group for the period ended 31 March 2012 was approximately HK\$0.9 million (31 March 2011: gross profit of approximately HK\$113.2 million). The overall gross profit margin % of the Group is 12.5% (31 March 2011: approximately 11.0%).

Selling and Administrative expenses for the period ended 31 March 2012 increased to approximately HK\$32.0 million (31 March 2011: approximately HK\$28.1 million) which was mainly due to the increase in rent and utilities during the period. The finance costs mainly represent the borrowing costs arisen from operation of oil processing business. The decrease in finance costs was in line with the decrease in turnover.

The Group recorded a loss attributable to equity holders of the Company for the period under review of approximately HK\$41.0 million (31 March 2011: profit of approximately HK\$30.7 million). The loss for the period was mainly attributable to significant decrease in sales of the oil processing and trading business.

As at 31 March 2012, the Group's account of cash and bank balances was approximately HK\$3.8 million (2011: approximately HK\$193.4 million) and had bank borrowings approximately HK\$582.9 million (2011: approximately HK\$559.3 million).

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. The subscription rights attaching to the warrants were expired on 24 February 2012 and no any subscription rights were exercised during the period.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

- (i) Subsequent to period ended on 13 April 2012, Black Sea Horizon Investment Holdings Limited ("Black Sea") had acquired 1,100,000,000 shares of the Company (representing approximately 22.7% of the existing issued share capital of the Company) from Inno Smart Group Limited ("Inno Smart"). Please refer to the announcements dated 13 April 2012 for the details.
- (ii) On 11 May 2012, the Company entered into the conditional Placing and Subscription Agreement with Kingston Securities Limited and Inno Smart Group Limited for the placing of up to an aggregate of 112,000,000 existing Shares (the "Placing Shares") to the places at the placing price of HK\$0.200 per Placing Share (the "Placing") and the Subscription of up to 112,000,000 new Shares by the Subscriber at the subscription price of HK\$0.200 per Share (the "Subscription").

The maximum gross proceeds and net proceeds (after deducting the placing agent commission and other expenses incurred in the Placing and the Subscription) from the Placing were approximately HK\$22.40 million and approximately HK\$21.74 million, respectively. The Company intended to use approximately HK\$17.74 million of the net proceeds from the Placing for the repayment of loans of the Group and approximately HK\$4.00 million of the net proceeds from the Placing for the general working capital purposes of the Group. Please refer to the Company's announcement dated 11 May 2012 for the details. The Placing and Subscription has not completed at the date of this report. Further announcement will be made by the Company upon the completion of the Placing and the Subscription.

LITIGATION

Reference is made to the announcements of the Company on 1 March 2012, 27 March 2012, 5 April 2012, 18 April 2012, 26 April 2012 and 7 May 2012 of the Company, Foshan Ruifeng Petroleum and Chemical Fuel Company Limited, the Company's major operating subsidiary, together with its wholly-owned subsidiaries in Mainland China and other parties, have been listed as defendants in a total of 22 cases pending before various courts in Mainland China ("22 Cases"), alerting default in repayment of debts. The total amount claimed in the 22 Cases is about RMB364.8 million. For most of the 22 Cases, applications have been made to the courts for deferment of trial (向法院申請延期審理) and/or for disputing the courts' jurisdiction (提出管轄權異議). In one of the 22 Cases, judgment has been entered against a wholly-owned subsidiary of the Company for about RMB3 million.

The PRC legal advisors engaged by the Company have actively followed up the 22 Cases and their updates are as follows:

No.	Case number	Plaintiff	Major Reliefs Sought	Updates
1	(2012) Fo Zhong Fa Min Si Chu Zi No. 27 ((2012)佛中法民四初字第27號)	Foshan Nanhai Branch of Industrial and Commercial Bank of China (中國工商銀行股份有限公司佛山南海支行)	Repayment of approximately RMB35,445,154 and others	Ruifeng Fuel Company submitted a defence response on 12 April 2012 before the trial was commenced and Ruifeng Fuel Company with a consent by the court filed an application with court for granting a two-month period for mediation.

No.	Case number	Plaintiff	Major Reliefs Sought	Updates
2	(2012) Fo Cheng Fa Min Er Chu Zi No. 338 ((2012)佛城法民二初字第338號)	Foshan Shiwan Branch of Agricultural Bank of China (中國農業銀行股份有限公司佛山石灣支行)	Claim approximately RMB28,080,000 and others	Application for a deferment of trial has been granted by the court. The hearing originally set on 12 April 2012 has been rescheduled and exact date and time will be notified by the court.
3	(2012) Fo Cheng Fa Min Er Chu Zi No. 339 ((2012)佛城法民二初字第339號)	Foshan Shiwan Branch of Agricultural Bank of China (中國農業銀行股份有限公司佛山石灣支行)	Claim approximately RMB16,180,000 and others	Application for a deferment of trial has been granted by the court. The hearing originally set on 12 April 2012 has been rescheduled and exact date and time will be notified by the court.
4	(2012) Fo Cheng Fa Min Er Chu Zi No. 340 ((2012)佛城法民二初字第340號)	Foshan Shiwan Branch of Agricultural Bank of China (中國農業銀行股份有限公司佛山石灣支行)	Claim approximately RMB24,210,000 and others	Application for a deferment of trial has been granted by the court. The hearing originally set on 12 April 2012 has been rescheduled and exact date and time will be notified by the court.
5	(2012) Fo Cheng Fa Min Er Chu Zi No. 341 ((2012)佛城法民二初字第341號)	Foshan Shiwan Branch of Agricultural Bank of China (中國農業銀行股份有限公司佛山石灣支行)	Claim approximately RMB46,800,000 and others	Application for a deferment of trial has been granted by the court. The hearing originally set on 12 April 2012 has been rescheduled and exact date and time will be notified by the court.
6	(2012) Fo Cheng Fa Min Er Chu Zi No. 298 ((2012)佛城法民二初字第298號)	Foshan Branch of Guangfa Bank (廣發銀行股份有限公司佛山分行)	Claim approximately RMB21,220,000 and others	Application for a deferment of trial has been granted by the court. The hearing originally set on 13 April 2012 has been rescheduled and exact date and time will be notified by the court.

No.	Case number	Plaintiff	Major Reliefs Sought	Updates
7	(2012) Fo Cheng Fa Min Er Chu Zi No. 300 ((2012)佛城法民二初字第300號)	Chancheng Zhangcha Credit Society (佛山市禪城區農村信用合作聯社張槎信用社)	Claim approximately RMB20,370,000 and others	Application was made to the court for disputing jurisdiction within the responding period. The court has yet to award a judgment. Application for a deferment of trial has been granted by the court. The hearing originally set on 13 April 2012 has been rescheduled and exact date and time will be notified by the court.
8	(2012) Fo Cheng Fa Min Er Chu Zi No. 301 ((2012)佛城法民二初字第301號)	Chancheng Zhangcha Credit Society (佛山市禪城區農村信用合作聯社張槎信用社)	Claim approximately RMB20,370,000 and others	Application was made to the court for disputing jurisdiction within the responding period. The court has yet to award a judgment. Application for a deferment of trial has been granted by the court. The hearing originally set on 13 April 2012 has been rescheduled and exact date and time will be notified by the court.
9	(2012) Fo Cheng Fa Min Er Chu Zi No. 302 ((2012)佛城法民二初字第302號)	Chancheng Zhangcha Credit Society (佛山市禪城區農村信用合作聯社張槎信用社)	Claim approximately RMB25,420,000 and others	Application was made to the court for disputing jurisdiction within the responding period. The court has yet to award a judgment. The hearing originally set on 13 April 2012 has been rescheduled and exact date and time will be notified by the court.
10	(2012) Fo Cheng Fa Min Er Chu Zi No. 303 ((2012)佛城法民二初字第303號)	Chancheng Zhangcha Credit Society (佛山市禪城區農村信用合作聯社張槎信用社)	Claim approximately RMB35,520,000 and others	Application was made to the court for disputing jurisdiction within the responding period. The court has yet to award a judgment. Application for a deferment of trial has been granted by the court. The hearing originally set on 13 April 2012 has been rescheduled and exact date and time will be notified by the court.

No.	Case number	Plaintiff	Major Reliefs Sought	Updates
11	(2012) Guang Hai Fa Chu Zi No. 170 ((2012)廣海法初字第170號)	Foshan Shende District Haiboshun Shipping Services Company Limited (佛山市順德區海馭順船務有限公司)	Claim approximately RMB731,000 and others	Trial commenced on 10 April 2012, and Ruifeng Fuel Company stated that its employees denied acknowledgment of the contract and consequently filed an application for common seal identification. The plaintiff agreed to settle the dispute with Ruifeng Fuel Company through mediation and suggested a preliminary proposal.
12	(2012) Guang Hai Fa Chu Zi No. 177 ((2012)廣海法初字第177號)	Jiangjian Fuda Waters Conveyance and Shipping Services Company Limited (湛江市富達水運船務有限公司)	Claim approximately RMB1,120,000 and others	Trial commenced on 13 April 2012 and Ruifeng Fuel Company stated that its employees denied acknowledgment of the contract and consequently filed an application for common seal identification. Ruifeng Fuel Company is contemplating to settle the dispute with the plaintiff through mediation.
13	(2012) Sui Tian Fa Zhi Zi No. 516((2012)穗天法執字第516號)	Ong Huayin (翁華銀)	Payment of approximately RMB3,040,000 and others	The plaintiff has not taken any effective actions to execute the judgment and Ruifeng Fuel Company is consideration to file an appeal and/or settle the dispute through mediation.
14	(2012) Fo San Fa Min Er Chu Zi No. 103 ((2012)佛三法民二初字第103號)	Zibo Zeyu Fuel Company Limited (淄博澤宇燃料有限公司)	Claim approximately RMB9,820,000 and others	A mediation has been achieved under the direction of the court.

No.	Case number	Plaintiff	Major Reliefs Sought	Updates
15	(2012) Sui Tian Fa Min Er Chu Zi No. 440 ((2012)穗天法民二初字第440號)	Ong Huayin (翁華銀)	Claim approximately RMB3,210,000 and others	Trial set to commence on 17 May 2012. Application was made to the court for disputing jurisdiction within the responding period. The court has yet to award a judgment as of the date of this report.
16	(2012) Sui Tian Fa Min Er Chu Zi No. 441 ((2012)穗天法民二初字第441號)	Ong Huayin (翁華銀)	Claim approximately RMB3,210,000 and others	Trial set to commence on 17 May 2012. Application was made to the court for disputing jurisdiction within the responding period. The court has yet to award a judgment.
17	(2012) Sui Tian Fa Min Er Chu Zi No. 442 ((2012)穗天法民二初字第442號)	Ong Huayin (翁華銀)	Claim approximately RMB3,110,000 and others	Trial set to commence on 17 May 2012. Application was made to the court for disputing jurisdiction within the responding period. The court has yet to award a judgment.
18	(2012) Guang Hai Fa Chu Zi Di No. 260 ((2012)廣海法初字第260號案件)	Fo Shan Hai Xiong Shipping Co. Ltd. (佛山市海雄航運有限公司)	Claim approximately RMB1,000,000 and others	The case was heard on 26 April 2012. Both sides indicated their willingness to settle the dispute through mediation. The court agreed to give more time and thus did not set the date for next trial.
19	Pending notification from the court	Mr. Wei Bin (魏濱)	Claim approximately RMB25,415,000 and others	The specific date and time for trial have not been determined and are pending the notification from the court.

No.	Case number	Plaintiff	Major Reliefs Sought	Updates
20	(2012) Guang Hai Fa Chu Zi No.324((2012)廣海法初字第324號)	Jiangxi Xinghai Marine Company Limited (江西星海航運有限公司)	Claim approximately RMB321,126	Trial set to commence on 21 May 2012. The Company is communicating with plaintiffs to clarify the situations and may apply for a deferment of trial.
21	(2012) Guang Hai Fa Chu Zi No.290((2012)廣海法初字第290號)	Guangxi Zhenhai Shipping Services Company Limited (廣西振海船務有限公司)	Claim approximately RMB200,000 and others	Trial set to commence on 5 June 2012. The Company is communicating with plaintiffs to clarify the situations and may apply for a deferment of trial.
22	(2012) Fo Zhong Fa Min Er Chu Zi No.3((2012)佛中法民二初字第3號)	Industrial Bank Co., Ltd., Foshan branch (興業銀行股份有限公司佛山分行)	Claim approximately RMB39,960,000 and others	Trial set to commence on 31 May 2012. The Company is communicating with plaintiffs to clarify the situations and may apply for a deferment of trial.

The Company is actively following up the Cases and evaluating its impact to the Company, and will make further announcement on any significant development regarding the Cases in due course.

EMPLOYEES

As at 31 March 2012, the Group had approximately 409 employees (31 March 2011: 440 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\$10.1 million and approximately HK\$10.8 million respectively. The Group remunerates its employees based on their performance, experience and the prevailing industry practice.

Other remuneration and benefits, including retirement benefits scheme, remained at appropriate level.

Save as disclosed hereof, no information on relation to the Group's performance has changed materially from information disclosed in the Company's 2011 annual report.

OTHER INFORMATION

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 31 March 2012, the interests and short positions of the directors (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 (L) and Short (S) 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)	44,218,000 (L)	1,875,000,000 (L)	1,919,218,000 (L)	39.56% (L)
	(Notes 4)		100,000,000 (S)	100,000,000 (S)	2.06% (S)
Mr. Yue Wai Keung					
	(Notes 1 & 3)	40,000,000 (L)	1,875,000,000 (L)	1,915,000,000 (L)	39.47% (L)
	(Notes 4)		100,000,000 (S)	100,000,000 (S)	2.06% (S)
Mr. Chan Kwan Pak	3,000,000 (L)	–	3,000,000 (L)	0.08% (L)	
Dr. Chen Tyzh-Trong	3,000,000 (L)	–	3,000,000 (L)	0.08% (L)	
Dr. Lee Chung Mong	3,000,000 (L)	–	3,000,000 (L)	0.08% (L)	
Mr. Yeung Chi Hung	3,000,000 (L)	–	3,000,000 (L)	0.08% (L)	

Notes:

1. Inno Smart Group Limited (Inno Smart) 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.
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.
4. On 17 November 2011, Inno Smart, granted a share charge in favour of Southernpec (HK) Holding Limited. Pursuant to the share charge, Inno Smart agreed to create a charge over 100,000,000 shares, out of the 1,875,000,000 shares held by it.

Save as disclosed above, as at 31 March 2012, 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

As at 31 March 2012, so far as was known to any Directors or chief executive of the Company, the following persons or companies (other than a director or chief executive of the Company) had, or were deemed or taken to have interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or who is, directly or indirectly, interested in five per cent or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or had any options in respect of such capital:

Long (L) and Short (S) 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 & 3)	Beneficial interest	1,875,000,000 (L)	38.65% (L)
	Beneficial interest	100,000,000 (S)	2.06% (S)
Strong Choice Investments (Holdings) Limited (Note 2)	Interest of controlled corporation	1,875,000,000 (L)	38.65% (L)
	Interest of controlled corporation	100,000,000 (S)	2.06% (S)
Billion Sky Resources Limited (Note 2)	Interest of a controlled corporation	1,875,000,000 (L)	38.65% (L)
	Interest of a controlled corporation	100,000,000 (S)	2.06% (S)
Ms. Ho Siu Lan, Sandy (Note 4)	Interest of child under 18 or spouse	1,919,218,000 (L)	39.56% (L)
	Interest of child under 18 or spouse	100,000,000 (S)	2.06% (S)
Ms. Man Wing Tuen (Note 5)	Interest of child under 18 or spouse	1,915,000,000 (L)	39.47% (L)
	Interest of child under 18 or spouse	100,000,000 (S)	2.06% (S)
Mr. Xu Ziming	Beneficial interest	664,020,000 (L)	13.69% (L)

Notes:

1. For the details of Inno Smart Group Limited, please refer to Notes 1 to 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.
2. Please refer to Note 2 & 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.
3. On 17 November 2011, Inno Smart Group Limited, granted a share charge in favour of Southernpec (HK) Holding Limited. Pursuant to the share charge, Inno Smart Group Limited agreed to create a charge over 100,000,000 shares, out of the 1,875,000,000 shares held by it. For the details of Inno Smart Group Limited, please refer to Notes 1 to 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.
4. Ms. Ho Siu Lan, Sandy is the spouse of Yu Won Kong, Dennis, an executive director of the Company.
5. Ms. Man Wing Tuen is the spouse of Yue Wai Keung, an executive director of the Company.

Save as disclosed above, there is no person (other than a director or chief executive of the Company) known to the Directors or chief executive of the Company, who, as at the date of this report, had or were deemed or taken to have interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who is, directly or indirectly, interested in five per cent or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group, or had any options in respect of such capital.

Save as disclosed above, as at 31 March 2012, no person had an interest or 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.

Share Option Scheme

On 22 August 2011, 246,900,000 new share options have been granted under the share option scheme adopted by the Company, which was expired on 2 February 2012.

A new share option scheme are approved and adopted on 22 March 2012 and the Directors of the Company are authorised to grant options and to allot, issue and dealing the shares pursuant to the exercise of any option granted and to take all such steps as they may consider necessary or expedient to implement the new share option scheme.

The purpose of the new share option scheme is to enable the Company to continue to grant options to the eligible participants in order to recognise and motivate the contribution of the employees of the Group and to provide incentives and help the Group in retaining existing employees and recruiting additional employees and to provide them with a direct economic interest in attaining the long term business objectives of the Group. For details, please refer to announcement on 5 and 22 March 2012.

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

Grantee	Date of grant	Outstanding at 1 January 2012	Granted during the period	Lapsed during the period	Outstanding at 31 March 2012	Exercise period	Exercise price
(Executive Directors)							
Mr. Dennis Yu Won Kong	22 August 2011	20,000,000	-	-	20,000,000	22 February 2012 to 22 February 2014	HK\$0.706
	22 August 2011	20,000,000	-	-	20,000,000	22 February 2013 to 22 February 2014	HK\$1.059
Mr. Yue Wai Keung	22 August 2011	20,000,000	-	-	20,000,000	22 February 2012 to 22 February 2014	HK\$0.706
	22 August 2011	20,000,000	-	-	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	-	-	1,500,000	22 February 2012 to 22 February 2014	HK\$0.706
	22 August 2011	1,500,000	-	-	1,500,000	22 February 2013 to 22 February 2014	HK\$1.059
(Independent Non-executive Directors)							
Dr. Chen Tzyh-Trong	22 August 2011	1,500,000	-	-	1,500,000	22 February 2012 to 22 February 2014	HK\$0.706
	22 August 2011	1,500,000	-	-	1,500,000	22 February 2013 to 22 February 2014	HK\$1.059
Dr. Lee Chung Mong	22 August 2011	1,500,000	-	-	1,500,000	22 February 2012 to 22 February 2014	HK\$0.706
	22 August 2011	1,500,000	-	-	1,500,000	22 February 2013 to 22 February 2014	HK\$1.059

Grantee	Date of grant	Outstanding at 1 January 2012	Granted during the period	Lapsed during the period	Outstanding at 31 March 2012	Exercise period	Exercise price
Mr. Yeung Chi Hung (retired on 7 May 2012)	22 August 2011	1,500,000	-	-	1,500,000	22 February 2012 to 22 February 2014	HK\$0.706
	22 August 2011	1,500,000	-	-	1,500,000	22 February 2013 to 22 February 2014	HK\$1.059
Chief Executive Officer							
Mr. So Sang Yee, Philip (resigned on 31 January 2012)	22 August 2011	20,000,000	-	(20,000,000)	-	22 February 2012 to 22 February 2014	HK\$0.706
	22 August 2011	20,000,000	-	(20,000,000)	-	22 February 2013 to 22 February 2014	HK\$1.059
	22 August 2011	20,000,000	-	(20,000,000)	-	22 February 2014 to 22 February 2015	HK\$1.376
Other employees							
In aggregate	22 August 2011	47,450,000	-	(5,850,000)	41,600,000	22 February 2012 to 22 February 2014	HK\$0.706
	22 August 2011	47,450,000	-	(5,850,000)	41,600,000	22 February 2013 to 22 February 2014	HK\$1.059
Total		246,900,000	-	(71,700,000)	175,200,000		

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the three-month period ended 31 March 2012, there was no purchase, sale or redemption by the Company, or any of its subsidiaries, of the Company's listed securities.

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 three-month period ended 31 March 2012.

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 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 audit committee comprises two members, Dr. Chen Tzyh-Trong, and Dr. Lee Chung Mong. All of them are independent non-executive directors of the Company.

The Group's unaudited condensed consolidated financial information for the three-months ended 31 March 2012 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.

Following the resignation of Mr. Yeung Chi Hung on 7 May 2012, the Company has only two independent non-executive directors and two audit committee members, the number of which falls below the minimum number required under Rules 5.05(1) and 5.28 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules"). The Company is identifying suitable candidate to fill the vacancy of an independent non-executive director and a member of the audit committee of the Company with a view to fulfill the minimum required number of independent non-executive directors and audit committee members under Rules 5.05(1) and 5.28 of the GEM Listing Rules as soon as practicable and within 3 months from 7 May 2012. Further announcement will be made by the Company upon fulfillment of those requirements under Rules 5.05(1) and 5.28 of the GEM Listing Rules.

DIRECTORS OF THE COMPANY

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

ON BEHALF OF THE BOARD
Chan Wai Lun Anthony
Chairman

14 May 2012