

# iMerchants Limited

First Quarterly Report 2012

Stock Code : 8009



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

GEM has been positioned as a market designed to accommodate companies to which a 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.

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

*This report, for which the directors (the “Directors”) of iMerchants Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief 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.*

## SUMMARY

The Group's unaudited consolidated loss for the three months ended 30 June 2012 was approximately HK\$9,075,000, as compared to the unaudited consolidated loss of approximately HK\$14,768,000 of the Group for the corresponding period in 2011. No dividend is recommended for the period under review.

## MANAGEMENT DISCUSSION AND ANALYSIS

### GROUP BUSINESS REVIEW

The Company and its subsidiaries (collectively referred to as the "Group") were principally engaged in provision of management service, investment in financial and investment products. The address of its registered office and principle place of business is Unit 2306B-07, 23/F, West Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong. The loss figure for the period is primarily due to the cost of sales caused by the amortisation of intangible asset. The cost of sales for the period was approximately HK\$8,177,000.

### Capital Reorganisation, Change in Board Lot Size and Increase in the Authorised Capital

The Shareholders had approved the resolutions proposed by the Directors at extraordinary general meeting (the "EGM") of the Company held on 12 December 2011 to effect the capital reorganisation of the Company which will involve:

- (a) the Capital Reduction pursuant to the Companies Ordinance under which the authorised share capital of the Company will be reduced (1) from HK\$1,200,000,000 divided into 30,000,000,000 ordinary Shares of HK\$0.04 each to HK\$120,000,000 divided into 30,000,000,000 ordinary Reduced Shares of HK\$0.004 each and (2) from HK\$800,000,000 divided into 20,000,000,000 preference Shares of HK\$0.04 each to HK\$80,000,000 divided into 20,000,000,000 preference Reduced Shares of HK\$0.004 each and that such reduction be effected by cancelling HK\$0.036 of the paid up capital on each issued Share of HK\$0.04 and reducing the nominal value of each issued or unissued share in the capital of the Company from HK\$0.04 per Share to HK\$0.004 per Reduced Share;
- (b) the Share Consolidation under which every twenty-five (25) Reduced Shares of HK\$0.004 each will be combined into one Adjusted Share of HK\$0.1 each immediately upon the Capital Reduction becoming effective;
- (c) the board lot size for trading in the Shares will be changed from 25,000 Shares to 10,000 Adjusted Shares immediately upon the Capital Reorganisation becoming effective;

On 26 June 2012, the special resolution for Capital Reduction, the Confirming Order and the minutes in relation thereto were submitted for registration with the Companies Registrar and on 29 June 2012, the Companies Registrar confirmed to the Company that the abovementioned documents were duly registered with effect from 26 June 2012. As a result, the effective date of the Capital Reduction falls on 26 June 2012. The effective date of Share Consolidation and Increase in Authorised Capital was 12 July 2012. Details and capitalised terms of terms used in this sections were set out on the circular of the Company (the “**Circular**”) dated 17 November 2011 and the announcements of the Company dated 29 February 2012, 29 May 2012 and 5 July 2012.

### Change of Company Name

The Shareholders had approved the resolutions proposed by the Directors at the EGM of the Company held on 10 August 2012 to effect the change of the name of the Company from “iMerchants Limited” to “Chinese Energy Holdings Limited” and to adopt the new Chinese name “**華夏能源控股有限公司**” to replace its existing Chinese name “**菱控有限公司**”; Subject to and conditional upon approval by the Registrar of Companies in Hong Kong. The Details were set out on the Circular dated 19 July 2012 and the announcement of the Company (the “**Announcement**”) dated 10 August 2012.

### Placing of New Shares under General Mandate

The Company has entered into a conditional placing agreement with the Placing Agent on 7 August, 2012, under which the Placing Agent will use its best efforts to place up to 145,590,000 Placing Shares to not less than six Placees who are Independent Third Parties. The Placing Shares will be allotted and issued pursuant to the general mandate granted to the Directors by a resolution of the shareholders of the Company passed at the annual general meeting of the Company held on 16 September, 2011. If all of the Placing Shares are placed, they will comprise approximately 16.02% of the enlarged issued share capital of the Company. It is expected that no Placee will become a substantial shareholder of the Company (as defined under the GEM Listing Rules) as a result of the Placing.

The Placing Price of HK\$0.11 per Placing Share represents a premium of approximately 3% to the closing price of HK\$0.107 per Share as quoted on the Stock Exchange on 7 August, 2012; a premium of approximately 8% to the average closing price per Share of approximately HK\$0.102 in the last five consecutive trading days immediately prior to and including the Last Trading Day; a premium of approximately 3% to the average closing price per Share of approximately HK\$0.107 in the last ten consecutive trading days immediately prior to and including 6 August, 2012. Details and capitalised terms used in this sections were set out in the Announcement dated 7 August 2012.

## FINANCIAL REVIEW

The Group recorded a net loss attributable to owners of the Company of approximately HK\$9,075,000 for the three months ended 30 June 2012, as compared to a net loss of approximately HK\$14,768,000 for the corresponding period in 2011. As at 30 June 2012, the Group holds current assets plus financial investments and deposits totaling approximately HK\$89,016,000 and has nil of bank borrowings.

For the three months ended 30 June 2012, the Group's turnover was HK\$ nil as compared to a turnover of HK\$ nil for the corresponding period in 2011. An annual fee relating to the provision of management service to Shenzhen Careall Capital Investment Co., Ltd ("**Careall Capital**") will be received. Such fee will be calculated based on 70% of the audited profit of Careall Capital.

The Company reported a nil for turnover in the first quarter because:

- The management fee due in respect of second (being from 19 August 2010 to 18 August 2011) and third term (being from 19 August 2011 to 18 August 2012) had not yet come to an end during the period under review.
- Management was unable to obtain management accounts or more reliable financial information as to the calculation of the management fee to be received by the Group. Accordingly, Management did not record any turnover for this segment of its business.

Turnover will be recorded during the interim period for 2012 once Management obtains reliable financial information for the calculation of the management fee due to the Group under the Management Agreement.

The relevant period will end at 18 August 2012 and audit work will be performed subsequently.

The guaranteed profit for the third relevant period will be RMB200,000,000 which should give the company a management fee of approximately RMB140,000,000 (equivalent to approximately HK\$170,380,000). The management did not accrue this amount as turnover during the period under review.

## RESULT

The board of Directors (the "**Board**") presents the unaudited results of the Group for the three months ended 30 June 2012 together with the comparative unaudited figures for the corresponding period in 2011 as follows.

## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months ended 30 June 2012

		Three months ended 30 June	
		2012	2011
Notes		HK\$'000	HK\$'000
<b>Continuing operations</b>			
Turnover	2	–	–
Cost of sale		<b>(8,177)</b>	(11,290)
Gross loss		<b>(8,177)</b>	(11,290)
Other income		–	3
Gain on redemption of convertible bonds		<b>1,590</b>	–
Administrative expenses		<b>(2,344)</b>	(3,054)
Finance costs		<b>(144)</b>	(427)
Loss before taxation	3	<b>(9,075)</b>	(14,768)
Income tax expense	4	–	–
Loss for the period from continuing operations		<b>(9,075)</b>	(14,768)
<b>Discontinued operations</b>			
Loss for the period from discontinued operations		–	–
<b>Loss and total comprehensive expense for the period</b>		<b>(9,075)</b>	(14,768)

		<b>Three months ended 30 June</b>	
		<b>2012</b>	2011
<i>Notes</i>		<b>HK\$'000</b>	HK\$'000
Loss attributable to:			
Owners of the Company		<b>(9,075)</b>	(14,768)
Non-controlling interests		<u>          -</u>	<u>          -</u>
		<b><u>(9,075)</u></b>	<b><u>(14,768)</u></b>
Total comprehensive expense attributable to:			
Owners of the Company		<b>(9,075)</b>	(14,768)
Non-controlling interests		<u>          -</u>	<u>          -</u>
		<b><u>(9,075)</u></b>	<b><u>(14,768)</u></b>
<b>Loss per share (HK cents)</b>	<b>5</b>		
From continuing and discontinued operations			
Basic		<b><u>(1.19)</u></b>	<u>(2.48)</u>
Diluted		<b><u>(1.19)</u></b>	<u>(2.48)</u>
From continuing operations			
Basic		<b><u>(1.19)</u></b>	<u>(2.48)</u>
Diluted		<b><u>(1.19)</u></b>	<u>(2.48)</u>

Notes:

## 1. BASIS OF PREPARATION

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

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants. In addition, the financial statements include applicable disclosures required by the GEM Listing Rules and by the Hong Kong Companies Ordinance.

The financial statements are unaudited, but have been reviewed by the audit committee of the Group (the "Audit Committee").

## 2. TURNOVER

An analysis of the Group's revenue for the period from continuing operations is as follows:

	<b>Three months ended 30 June</b>	
	<b>2012</b>	2011
	<b>HK\$'000</b>	HK\$'000
Management fee income	—	—
	—	—

## 3. LOSS BEFORE TAXATION

	<b>Three months ended 30 June</b>	
	<b>2012</b>	2011
	<b>HK\$'000</b>	HK\$'000
Loss for the period from continuing operations has been arrived at after charging (crediting):		
Staff costs (including directors' emoluments)		
Salaries and allowances	<b>804</b>	811
Retirement benefits scheme contributions	<b>78</b>	24
	<b>882</b>	835
Amortisation of intangible asset (included in cost of sale)	<b>8,177</b>	11,290
Depreciation of property, plant and equipment	<b>95</b>	42
Operating lease charges in respect of rented premises	<b>766</b>	1,221



#### 4. TAXATION

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

On 16 March 2007, the People's Republic of China (the "PRC") promulgated the Law of the PRC on Enterprise Income Tax (the "New Law") by Order No. 63 of the President of the PRC. On 6 December 2007, the State Council of the PRC issued Implementation Regulations of the New Law. Under the New Law and Implementation Regulation, the Enterprise Income Tax rate of the Group's subsidiary in the PRC reduced from 33% to 25% from 1 January 2008 onwards. The relevant tax rate for the Group's subsidiary in the PRC is 25%.

#### 5. LOSS PER SHARE

The calculation of the basic and diluted loss per share from continuing and discontinued operations attributable to owners of the Company is based on the following data:

	Three months ended 30 June	
	2012 HK\$'000	2011 HK\$'000
<b>Loss</b>		
Loss for the purpose of basic loss per share (Loss for the period attributable to owners of the Company)	9,075	14,768
<b>Number of shares</b>	'000	'000
Weighted average number of ordinary shares for the purpose of basic loss per share	763,251	595,678
Effect of dilutive potential ordinary shares:		
Convertible bonds	–	150,000
Convertible preference shares	–	88,448
	763,251	834,126

The weighted average number of shares for the purpose of calculating basic loss per share has been adjusted for the consolidation of shares on 12 July 2012.

The diluted loss per share for the continuing and discontinued operations is same as the basic loss per share for the continuing and discontinued operations as the dilutive potential ordinary shares were anti-dilutive for both periods.

#### 6. DIVIDEND

The Directors do not recommend the payment of an dividend for the three months ended 30 June 2012 (2011: Nil).

## 7. MOVEMENT OF RESERVES

	Equity attributable to owners of the Company									
	Share premium HK\$'000	Capital redemption reserve HK\$'000	Merger reserve HK\$'000 (Note b)	Special capital reserve HK\$'000 (Note a and c)	Translation reserve HK\$'000	Equity component of convertible bonds HK\$'000	Accumulated losses HK\$'000	Sub-total HK\$'000	Non-controlling interests HK\$'000	Total HK\$'000
At 1 April 2011	40,095	3,297	45,918	50,587	40,258	63,034	(400,688)	(157,499)	27	853,702
Total comprehensive expense for the period	-	-	-	-	-	-	(14,768)	(14,768)	-	(14,768)
At 30 June 2011	40,095	3,297	45,918	50,587	40,258	63,034	(415,456)	(172,267)	27	(172,240)

	Equity attributable to owners of the Company									
	Share premium HK\$'000	Capital redemption reserve HK\$'000	Merger reserve HK\$'000 (Note b)	Special capital reserve HK\$'000 (Note a and c)	Translation reserve HK\$'000	Equity component of convertible bonds HK\$'000	Accumulated losses HK\$'000	Sub-total HK\$'000	Non-controlling interests HK\$'000	Total HK\$'000
At 1 April 2012	30,090	3,297	45,918	60,952	58,652	3,362	(526,175)	(324,264)	(5)	(324,269)
Total comprehensive expense for the period	-	-	-	-	-	-	(9,075)	(9,075)	-	(9,075)
Transfer to share premium (Note d)	686,926	-	-	-	-	-	-	686,926	-	686,926
Elimination of accumulated losses as at 31 March 2011 against share premium (Note d)	(347,644)	-	-	-	-	-	347,644	-	-	-
Redemption of convertible bonds	-	-	-	-	-	(3,362)	-	(3,362)	-	(3,362)
At 30 June 2012	369,372	3,297	45,918	60,952	58,652	-	(187,606)	(350,225)	(5)	350,220

### Notes:

- (a) Pursuant to a special resolution passed at an extraordinary general meeting of the Company held on 22 July 2005 and the subsequent order of the High Court of Hong Kong (the “**High Court**”) made on 13 December 2005, the entire amount of HK\$207,130,000 then standing to the credit of the share premium accounts of the Company was cancelled in accordance with the provisions of the Hong Kong Companies Ordinance (the “**Capital Reduction**”).

Out of the credit arising from the Capital Reduction, HK\$146,538,000 was applied to eliminate the accumulated losses of the Company as at 31 March 2005 and the remaining balance of HK\$60,592,000 of the credit arising from the Capital Reduction was credited to a special capital reserve in the accounting records of the Company.

- (b) The merger reserve of the Group represents the difference between the nominal amount of the share capital of the subsidiaries at the date on which they were acquired by the Group and the nominal amount of the Company's shares issued as consideration for the acquisition in March 2000 less the premium arising on repurchase of shares and the amount transferred to the capital redemption reserve.
- (c) On 23 October 2009, the Company issued approximately 2,938,478,000 non-redeemable convertible preference shares with a par value of HK\$0.2 each, as a partial consideration for the acquisition of an intangible asset through acquisition of a subsidiary. The fair value of the convertible preference shares as at 23 October 2009 amounted to approximately HK\$567,126,000, representing HK\$0.193 per convertible preference share. The discount of approximately HK\$20,570,000, which represented the difference between the fair value of the non-redeemable convertible preference shares as of 23 October 2009 and the par value, is charged to the special capital reserve of the Company.
- (d) Pursuant to a special resolution passed at an extraordinary general meeting of the Company held on 12 December 2011 and the subsequent order of the High Court made on 29 May 2012, the amount of approximately HK\$686,926,000 then standing to the credit of the share capital accounts of the Company was reduced in accordance with the provisions of the Hong Kong Companies Ordinance (the "**Capital Reorganisation**") with effect from 26 June 2012.

Out of the credit arising from the Capital Reorganisation, approximately HK\$347,644,000 was applied to eliminate the accumulated losses of the Company as at 31 March 2011 and the remaining balance of approximately HK\$339,282,000 of the credit arising from the Capital Reorganisation was credited to share premium in the accounting records of the Company.

## 8. PLEDGE OF ASSETS

Assets with the following carrying amounts have been pledged to secure the other loans of the Group:

	<b>30 June 2012</b> <b>HK\$'000</b>	30 June 2011 HK\$'000
Prepaid lease payments	–	2,688
	–	2,688

## **DIRECTOR'S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION**

As at 30 June 2012, the interests or short positions of the Directors or chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO"), Chapter 571 under the Laws of Hong Kong), 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 or short positions which they are 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, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by directors to be notified to the Company and the Stock Exchange, were as follows:

### **Long positions in ordinary shares of HK\$0.004 each of the Company (the "Shares")**

No long positions of Directors in the Shares were recorded in the register or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 to 5.67 of the GEM Listing Rules.

### **Long positions in the shares of associated corporation**

No long positions of the Directors in the shares of the associated corporation of the Company were recorded in the register or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 to 5.67 of the GEM Listing Rules.

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

No long positions of Directors in the underlying shares of the equity derivatives of the Company and its associated corporations were recorded in the register or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 to 5.67 of the GEM Listing Rules.

### **Long positions in debentures**

No long positions of Directors in the debentures of the Company and its associated corporations were recorded in the register or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 to 5.67 of the GEM Listing Rules.

## Short positions in the Shares and the shares of associated corporation

No short positions of Directors in the Shares and the shares of its associated corporations were recorded in the register or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 to 5.67 of the GEM Listing Rules.

## Short positions in underlying shares

No short positions of Directors in the underlying shares of the equity derivatives of the Company and its associated corporations were recorded in the register or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 to 5.67 of the GEM Listing Rules.

## Short positions in debentures

No short positions of Directors in the debentures of the Company or any of its associated corporation were recorded in the register or as otherwise notified to the Company and the Stock Exchange pursuant to rule 5.46 to 5.67 of the GEM Listing Rules.

Save as disclosed above, at 30 June 2012, none of the Directors had any interests in any shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 to 5.67 of the GEM Listing Rules.

## SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES

As at 30 June 2012, according to the register of interests kept by the Company under Section 336 of the SFO, the following parties (in addition to those disclosed above in respect of the Directors and chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company which were required to be recorded in the register and/or were directly or indirectly interested in 5% or more of the issued share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group.

### Long positions in the Shares

Name of substantial Shareholder	Capacity/Nature of Interest	Number of ordinary shares in the Company held	Percentage of issued share capital of the Company <i>(Note 2)</i>
Bonus Raider Investments Limited (" <b>Bonus Raider</b> ")	Beneficial owner	2,406,117,500 <i>(Note 1)</i>	12.61%
China Water Industry Group Limited (" <b>China Water</b> ")	Through a controlled corporation	2,406,117,500 <i>(Note 1)</i>	12.61%

Notes:

1. These Shares are registered in the name of Bonus Raider, a wholly-owned subsidiary of China Water. By virtue of the SFO, China Water was deemed to be interested in the Shares held by Bonus Raider.
2. The percentage is calculated based on 19,081,275,000 issued Shares as at 30 June 2012.

Save as disclosed above, as at 30 June 2012, the Directors are not aware of any other persons who had interests or short positions in the Shares or underlying shares of the Company which were interested in 5% or more of the issued share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group or any persons (not being a Director) have interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions in Divisions 2 and 3 of Part XV of the SFO.

## AUDIT COMMITTEE

The Company has established an audit committee (the “**Audit Committee**”) with written terms of reference in compliance with the GEM Listing Rules. The Audit Committee has three members comprising all the independent non-executive Directors, namely, Mr. Lam Tze Chung as the chairman of the Audit Committee, Mr. Wu Ka Ho Stanley and Mr. Yue Laiqun. All Audit Committee members possess appropriate industry and financial experience to advise on the Group’s strategy and other matters. The composition of the Audit Committee meets the requirements of Rule 5.28 of the GEM Listing Rules. The primary duties of the Audit Committee are to ensure the adequacy and effectiveness of the accounting and financial controls of the Group, oversee the performance of internal control systems and financial reporting process, monitor the integrity of the financial statements and compliance with statutory and listing requirements and to oversee independence and qualifications of the external auditors. The Group’s first quarterly results for the three months ended 30 June 2012 have been reviewed by the members of the Audit Committee.

## REMUNERATION COMMITTEE

According to the Code on Corporate Governance Practices, the Company established its remuneration committee (“**Remuneration Committee**”) on 18 March 2008 with specific written terms of reference in line with the code provisions. During the period under review, the Remuneration Committee comprised four members, three members are independent non-executive Directors namely Mr. Wu Ka Ho Stanley, Mr. Lam Tze Chung and Mr. Yue Laiqun and Mr. Yau Yan Ming Raymond being an executive Director. Mr. Wu Ka Ho Stanley was appointed as the Chairman of the Remuneration Committee.

## NOMINATION COMMITTEE

According to the Code on Corporate Governance Practices, the Company established its nomination committee (“**Nomination Committee**”) on 29 March 2012 with specific written terms of reference in line with the code provisions. During the period under review, the Nomination Committee comprised four members, three members are independent non-executive Directors namely Mr. Wu Ka Ho Stanley, Mr. Lam Tze Chung and Mr. Yue Laiqun, and Mr. Zha Jian Ping being an executive Director. Mr. Yue Laiqun was appointed as the Chairman of the Nomination Committee.

## CORPORATE GOVERNANCE PRACTICES

During the period under review, the Company has applied the principles and complied with all the code provisions of the Code on Corporate Governance Practices (the “Code”) as set out in Appendix 15 to the GEM Listing Rules except for the deviation below:

### Appointment term of non-executive Directors

Under code provision A.4.1 of the Code, non-executive Directors should be appointed for a specific term, subject to re-election while all Directors should be subject to retirement by rotation at least once every three years.

All independent non-executive Directors were not appointed for a specific term but they are subject to retirement by rotation and re-election at annual general meetings of the Company in line with the Articles. As such, the Company considers that sufficient measures have been taken to ensure that the Company’s corporate governance practices are no less exacting than those in the Code.

## PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Associations which would oblige the Company to offer new shares on a pro rate basis to existing shareholders.

## CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

During the period under review, the Company continued to adopt a code of conduct regarding securities transactions by Directors 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. The Company had also made specific enquiry of all Directors and the Company was not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transactions by the Directors.

## COMPETING INTERESTS

During the period under review, none of the Directors, the management shareholders of the Company or substantial shareholders of the Company or any of their respective associates (as defined in the GEM Listing Rules) had any interest in a business which causes or may cause any significant competition with the business of the Group.



## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY**

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

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

Hong Kong  
13 August 2012

*As at the date hereof, the Board consists of four executive Directors, namely Mr. Yau Yan Ming Raymond, Mr. Zha Jian Ping, Ms. Qi Yue and Mr. Wong Ka Chun Carson; and three independent non-executive Directors, namely Mr. Lam Tze Chung, Mr. Wu Ka Ho Stanley and Mr. Yue Laiqun.*