



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

Third Quarterly Report 2012

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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 2012 together with the comparative figures for the corresponding periods in last financial year.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	<i>Note</i>	Unaudited For the three months ended 30 September		Unaudited For the nine months ended 30 September	
		2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000
Revenue	2	1,248	1,774,437	22,382	4,277,097
Cost of sales		(1,672)	(1,717,420)	(22,112)	(4,014,721)
Gross (loss)/profit		(424)	57,017	270	262,376
Other income	2	2,605	1,965	9,733	9,753
Distribution expenses		(188)	(1,689)	(578)	(5,924)
Administrative expenses		(28,287)	(23,169)	(92,784)	(69,391)
Finance costs		(31,365)	(32,066)	(80,254)	(121,209)
(Loss)/profit before tax		(57,659)	2,058	(163,613)	75,605
Income tax expenses	3	(601)	(751)	(1,901)	(11,902)
(Loss)/profit for the period attributable to the equity holders of the Company		(58,260)	1,307	(165,514)	63,703
(Loss)/earnings per share attributable to the equity holders of the Company					
– basic (HK cents per share)	5	(1.086)	0.035	(3.457)	1.794
– diluted (HK cents per share)	5	N/A	0.035	N/A	1.793

	Unaudited		Unaudited	
	For the three months ended		For the nine months ended	
	30 September		30 September	
	2012	2011	2012	2011
<i>Note</i>	HK\$'000	HK\$'000	HK\$'000	HK\$'000
(Loss)/profit for the period	(58,260)	1,307	(165,514)	63,703
Other comprehensive (loss)/income:				
Revaluation deficit on available-for-sale financial assets	-	(56)	-	(1,233)
Exchange differences on translation of foreign operations	7,607	7,056	342	16,039
Total other comprehensive income for the period, net of tax	7,607	7,000	342	14,806
Total comprehensive (loss)/income for the period attributable to equity holders of the Company	(50,653)	8,307	(165,172)	78,509

NOTES

1. Principal accounting policies and basis of preparation**1.1 Basis of preparation**

The unaudited consolidated financial information for the nine months ended 30 September 2012 has been prepared in accordance with accounting principles generally accepted in Hong Kong and compiled with accounting standards 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 goods, processed fuel oil and services rendered in the ordinary course of the Group's activities. Revenue is shown net of allowance for return and trade discounts, and applicable goods and services taxes and after eliminating sales within the Group.

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

	Three months ended 30 September		Nine months ended 30 September	
	2012 HK\$'000 (Unaudited)	2011 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)	2011 HK\$'000 (Unaudited)
Revenue:				
Sale of goods	1,148	1,367	3,326	4,489
Sale of processed fuel oil	100	1,773,070	19,056	4,272,608
	1,248	1,774,437	22,382	4,277,097
Other income:				
Interest income	1,681	1,830	7,536	9,150
Other	924	135	2,197	603
	2,605	1,965	9,733	9,753

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 (2011: 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 2012 (2011: Nil).

5. (Loss)/earnings per share

	Unaudited For the three months ended 30 September		Unaudited For the nine months ended 30 September	
	2012	2011	2012	2011
(Loss)/profit for the period attributable to the equity holders of the Company (HK\$'000)	(58,260)	1,307	(165,514)	63,703
Weighted average number of ordinary shares in issue for calculating basic (loss)/earnings per share (in '000)	5,363,574	3,706,275	4,787,762	3,551,612
Effect of share options ('000)	–	3,457	–	1,170
Weighted average number of ordinary shares for the purpose of calculating diluted (loss)/earnings per share (in'000)	5,363,574	3,709,732	4,787,762	3,552,782

Basic (loss)/earnings per share is calculated by dividing the loss attributable to equity holders of the Company for the nine months ended 30 September 2012 of approximately HK\$165,514,000 (30 September 2011: profit of approximately HK\$63,703,000) by the weighted average number 4,787,762,294 (30 September 2011:3,551,612,000) ordinary shares in issue during the period.

Diluted (loss)/earnings per share is calculated by 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 30 September 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.

6. Reserves

	Share Capital HK\$'000 (unaudited)	Share Premium HK\$'000 (unaudited)	Capital Reserve HK\$'000 (unaudited)	Equity component of convertible bonds HK\$'000 (unaudited)	Non-listed warrants reserve HK\$'000 (unaudited)	Share-based Payment Reserve HK\$'000 (unaudited)	Currency Translation HK\$'000 (unaudited)	Available- for-sale financial assets HK\$'000 (unaudited)	Retained profits/ (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

	Share Capital HK\$'000 (unaudited)	Share Premium HK\$'000 (unaudited)	Capital Reserve HK\$'000 (unaudited)	Equity component of convertible bonds HK\$'000 (unaudited)	Non-listed warrants reserve HK\$'000 (unaudited)	Share-based Payment Reserve HK\$'000 (unaudited)	Currency Translation HK\$'000 (unaudited)	Available- for-sale financial assets HK\$'000 (unaudited)	Accumulated losses HK\$'000 (unaudited)	Total HK\$'000 (unaudited)
Balance at 1 January 2012	39,983	837,685	6,840	-	406	2,970	25,707	-	(21,616)	891,975
Comprehensive loss										
Loss for the period	-	-	-	-	-	-	-	-	(107,254)	(107,254)
Total other comprehensive loss	-	-	-	-	-	-	(7,265)	-	-	(7,265)
Total comprehensive (loss)/income	-	-	-	-	-	-	18,442	-	(128,870)	777,456
Issuance of new share	11,035	218,093	-	-	-	-	-	-	-	229,128
Release on forfeiture of share options	-	-	-	-	-	(1,558)	-	-	1,558	-
Release on forfeiture of the subscription right of the non-listed warrants	-	-	-	-	(406)	-	-	-	406	-
Balance at 30 June 2012	51,018	1,055,778	6,840	-	-	1,412	18,442	-	(126,906)	1,006,584
Comprehensive loss										
Loss for the period	-	-	-	-	-	-	-	-	(58,260)	(58,260)
Total other comprehensive income	-	-	-	-	-	-	7,607	-	-	7,607
Total comprehensive income/(loss)	-	-	-	-	-	-	7,607	-	(58,260)	(50,653)
Issuance of new share	3,884	73,798	-	-	-	-	-	-	-	77,682
Release on forfeiture of share options	-	-	-	-	-	(418)	-	-	418	-
Balance at 30 September 2012	54,902	1,129,576	6,840	-	-	994	26,049	-	(184,748)	1,033,613

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATIONS REVIEW

For the period ended 30 September 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 period 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 half 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, and started to slow down in the second 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 16.0% in the fuel oil processing and trading business in the nine months ended 30 September 2012, which has deteriorated further from the gross loss margin of 0.8% in the second half of 2011. As compared to the same period of 2011, the gross margin has been eroded completely from a gross profit margin of 6.1% for the nine months period ended 30 September 2011 to gross loss margin of 16.0% for the nine months period ended 30 September 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 half 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 nine months ended 30 September 2012, as a result, for the period under review, the Group recorded a significant decrease in revenue from approximately HK\$4,277.1 million to approximately HK\$22.4 million.

On the other hand, as further disclosed under the heading “Litigation” in page 13 of this report, the Company, Foshan Ruifeng Petroleum and Chemical Fuel Company Limited (the Company’s major fuel oil processing and trading operating subsidiaries) and certain of its subsidiaries, have been listed as defendants in a total of 31 court cases with total amount claimed against the Group of RMB880.2 million (the “Court Cases”). Five of the 31 Court Cases, in which judgments have been entered against a wholly-owned subsidiary of the Company for about RMB42.9 million. Please refer to the “Litigation” section for more details. 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 21.56% of the issued share capital of the Company as at 30 June 2012) to Black Sea Horizon Investment Holdings Limited (“Black Sea”), which is a 60%-owned subsidiary of Beijing Black Sea Horizon Investment Holdings Limited (“Beijing Black Sea”). 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.

With the support of Black Sea and Beijing Black Sea (collectively the “New Substantial Shareholders”), which also have business network and expertise in oil industry, the Group will strive to 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 fourth quarter of 2012 may remain as difficult as the period under review, 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 sixth supplemental agreement on 29 September 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, 31 January 2012, 30 March 2012, 29 June 2012 and 29 September 2012 respectively) has been further extended from 30 September 2012 to 31 December 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, 31 January 2012, 30 March 2012, 29 June 2012, 29 September 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\$3.3 million, representing a 25.9% decrease comparing to same period of last year of approximately of HK\$4.5 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 has been decreased by 11.0% as compared to the same period last year.

FINANCIAL REVIEW

Turnover for the period ended 30 September 2012 decreased to approximately HK\$22.4 million (30 September 2011: approximately HK\$4,277.1 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\$3.0 million (30 September 2011: gross profit of approximately HK\$258.6 million) and gross profit of approximately HK\$3.3 million (30 September 2011: gross profit of approximately HK\$3.7 million) to the Group respectively, for the period under review.

The total gross profit of the Group for the period ended 30 September 2012 was approximately HK\$0.3 million (30 September 2011: gross profit of approximately HK\$262.4 million). The overall gross profit margin % of the Group was 1.2% (30 September 2011: approximately 6.1%).

Distribution and administrative expenses for the period ended 30 September 2012 increased to approximately HK\$93.4 million (30 September 2011: approximately HK\$75.3 million) which was mainly due to the increase in rent and utilities during the period. The finance costs mainly represented 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\$165.5 million (30 September 2011: profit of approximately HK\$63.7 million). The loss for the period was mainly attributable to significant decrease in sales of the oil processing and trading business.

As at 30 September 2012, the Group had cash and bank balances of approximately HK\$2.5 million (31 December 2011: approximately HK\$90.2 million) and had bank borrowings of approximately HK\$695.8 million (31 December 2011: HK\$634.0 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 subscription rights were exercised during the period.

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, 7 May 2012, 17 May 2012, 6 June 2012, 20 June 2012, 9 July 2012, 1 August 2012, 20 August 2012 and 12 September 2012. According to these announcements, 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 31 court cases pending before various courts in mainland China for allegedly defaulting on debt payments. The total amount claimed in the 31 court cases is about RMB880.2 million. For most of the 31 court cases, applications have been made to the court for deferment of trial (向法院申請延期審理) and/or for disputing the court's jurisdiction (提出管轄權異議). In five of the 31 court cases, judgments have been entered against a wholly-owned subsidiary of the Company for about RMB42.9 million. For details, please refer to the table below.

The PRC legal advisors engaged by the Company have actively followed up the 31 court 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	Pursuant to the judgment that the Company received on 6 July 2012, (i) Ruifeng Fuel Company shall pay the principal of the loans of RMB35,445,153.82 and accrued interest to the plaintiff within 10 days from the date of the Judgment comes into legal effect; (ii) the plaintiff shall have priority of compensation over collaterals provided by Ruifeng Fuel Company and other defendants under the scope of liability determined by the Judgment in paragraph (i); and (iii) each of the defendants shall jointly undertake guarantee liability should the collaterals in paragraph (ii) fail to settle obligations exceeding the principal and its interests involved in the case. The Company and each of the defendants may submit an appeal to the court within a specific period subsequent to the judgment being served to all the defendants. Please also refer to the announcement of the Company on 9 July 2012 for details.
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	The case has been transferred to Foshan Intermediate People's Court (佛山市中級人民法院) for trial at mid-September 2012. The case number has changed to (2012) Fo Zhong Fa Min Si Chu Zi No. 131((2012) 佛中法民四初字第131號). A court summons has been received notifying trial will commence on 11 December 2012 and hearing or announcement of judgment will be on 17 January 2013.
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	The case has been transferred to Foshan Intermediate People's Court (佛山市中級人民法院) for trial at mid-September 2012. The case number has changed to (2012) Fo Zhong Fa Min Si Chu Zi No. 132((2012) 佛中法民四初字第132號). A court summons has been received notifying trial will commence on 11 December 2012 and hearing or announcement of judgment will be on 17 January 2013.

No.	Case number	Plaintiff	Major Reliefs Sought	Updates
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	The case has been transferred to Foshan Intermediate People's Court(佛山市中級人民法院) for trial at mid-September 2012. The case number has changed to (2012) Fo Zhong Fa Min Si Chu Zi No. 133((2012)佛中法民四初字第133號). A court summons has been received notifying trial will commence on 11 December 2012 and hearing or announcement of judgment will be on 17 January 2013.
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	The case has been transferred to Foshan Intermediate People's Court(佛山市中級人民法院) for trial at mid-September 2012. The case number has changed to (2012) Fo Zhong Fa Min Si Chu Zi No. 134((2012)佛中法民四初字第134號). A court summons has been received notifying trial will commence on 11 December 2012 and hearing or announcement of judgment will be on 17 January 2013.
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	The trial of this case commenced as scheduled on 17 August 2012 and it is undergoing the mediation process. The plaintiff Foshan Branch of China Guangfa Bank Company Limited is in negotiation with the first defendant Guangdong Nanhua Petroleum Company Limited (廣東南華石油有限公司) in respect of the repayment. A preliminary mutual consensus has been reached by both parties and an extension of negotiation deadline has been filed with the court. The date and time of the next hearing will be decided upon further notification from the court.
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 has been 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 has been 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
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 has been 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 has been 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.
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 (佛山市順德區海馱順船務有限公司)	Claim approximately RMB731,000 and others	Trial commenced on 10 April 2012, and a mediation proposal had been submitted to the court by Ruifeng Fuel Company. Ruifeng Fuel Company had received the civil mediation order from the court in late July 2012, and has been communicating with the court and the plaintiff in respect of the mediation.
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 a mediation proposal had been submitted to the court by Ruifeng Fuel Company. Ruifeng Fuel Company had received the civil mediation order from the court in late July 2012, and has been communicating with the court and the plaintiff in respect of the 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 the court has not issued any specific plan of enforcement. The Company has continued its negotiation with the plaintiff.
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.
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	Application has been made to the court for disputing jurisdiction. The court has yet to award a judgment.

No.	Case number	Plaintiff	Major Reliefs Sought	Updates
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	Application has been made to the court for disputing jurisdiction. 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	Application has been made to the court for disputing jurisdiction. 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. A mediation proposal had been submitted to court in mid-June 2012, Ruifeng Fuel Company had received the civil mediation order from the court in late July 2012, and has been communicating with the court and the plaintiff in respect of the mediation.
19	(2012) Sui Yue Fa Min Er Chu Zi No. 629((2012)穗越法民二初字第629號)	Mr. Wei Bin (魏濱)	Claim approximately RMB25,415,000 and others	Trial has commenced on 20 September 2012. Ruifeng Fuel Company will continue to communicate with the plaintiff.
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 commenced on 21 May 2012. A mediation proposal had been submitted to the court by Ruifeng Fuel Company. Ruifeng Fuel Company had received the civil mediation order from the court in late July 2012, and has been communicating with the court and the plaintiff in respect of the mediation.
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	A mediation has been achieved under the direction of the court.
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 originally scheduled on 31 May 2012 has been postponed to 6 August 2012 and commenced accordingly. Ruifeng Fuel Company has made an application to the court to identify the actual subject matters related to litigation raised by the plaintiff. The court has not yet fixed the date for the next session of trial.

No.	Case number	Plaintiff	Major Reliefs Sought	Updates
23	(2012) Fo San Fa Min Er Chu Zi No. 287(2012) 佛三法民二初字第287號)	Guangdong Xinhao Fuel Company Limited (廣東新濠燃料有限公司)	Claim approximately RMB415,088 and others	Trial commenced on 13 June 2012. The plaintiff is pondering to settle the dispute with Ruifeng Fuel Company through mediation. Ruifeng Fuel Company is in the process of preparing a mediation proposal. The court has not yet fixed the date for the next session of trial.
24	(2012) Fo San Fa Min Er Chu Zi No. 288(2012) 佛三法民二初字第288號)	Zhejiang Meike Energy Company Limited (浙江美科能源有限公司)	Claim approximately RMB3,000,000 and others	Trial commenced on 13 June 2012. The plaintiff is pondering to settle the dispute with Ruifeng Fuel Company through mediation. Ruifeng Fuel Company is in the process of preparing a mediation proposal. The court has not yet fixed the date for the next session of trial.
25	(2012) Fo Zhong Fa Min Si Chu Zi No. 62(2012) 佛中法民四初字第62號)	Li Yao (李要)	Claim approximately RMB28,000,000 and others	The trial of this case commenced as scheduled on 23 August 2012. According to the defense by the legal adviser in Mainland China engaged by the Company, (1) the interest rate stipulated in the borrowing agreement is at an excessive level, and therefore the court should apply interest rates on borrowings with similar maturities adopted by commercial banks in China in determination of the interest, and rule against the claim of the part of excessive interest; (2) interest should be charged from the date on which the loan was actually drawn, and the court was suggested to verify the date of the loan being actually drawn. The Company is contemplating to take on mediation. The date and time of the next hearing will be decided upon further notification from the court.
26	(2011) Fo San Fa Min Yi Chu Zi No. 989(2011) 佛三法民一初字第989號)	Foshan Xintailong Environmental Protection Equipment Manufacture Co., Ltd. (佛山市新泰隆環保設備製造有限公司)	Claim construction cost of approximately RMB990,000 and others	An application for quality assurance procedure has been filed with the court. Hearing originally scheduled on 6 June 2012 has been postponed.
27	(2012) Sui Tian Fa Min Er Chu Zi No. 508(2012) 穗天法民二初字第508號)	China Everbright Bank Guangzhou Branch (中國光大銀行股份有限公司廣州分行)	Claim approximately RMB30,000,000 and others	The case has been withdrawn by the plaintiff.

No.	Case number	Plaintiff	Major Reliefs Sought	Updates
28	(2012) Sui Zhong Fa Min Si Chu Zi No. 98(2012)穗中法民四初字第98號)	Guangzhou Baiyun Branch of Huaxia Bank Co., Ltd. (華夏銀行股份有限公司廣州白雲支行)	Claim approximately RMB77,072,045 and others	Trial was set to commence on 25 September 2012. The Company is communicating with plaintiff to clarify the situations and may apply for a deferment of trial.
29	(2012) Fo Zhong Fa Min Si Chu Zi No. 114 ((2012) 佛中法民四初字第114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 RMB183,000,000 and others	A court summons has been received notifying trial will commence on 11 December 2012 and hearing or announcement of judgment will be on 17 January 2013.
30	(2012) Fo Zhong Fa Min Si Chu Zi No. 115 ((2012) 佛中法民四初字第115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 RMB115,000,000 and others	A court summons has been received notifying trial will commence on 11 December 2012 and hearing or announcement of judgment will be on 17 January 2013.
31	(2012) Fo Zhong Fa Min Si Chu Zi No. 116 ((2012) 佛中法民四初字第116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 RMB78,000,000 and others	A court summons has been received notifying trial will commence on 11 December 2012 and hearing or announcement of judgment will be on 17 January 2013.

The Company is seriously and deliberately following up the court cases and evaluating their impacts, and will make further announcement on any significant development regarding the court cases in due course.

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

As at 30 September 2012, 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 (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. Chan Wai Lun Anthony (Note 1)		1,100,000,000 (L)	1,100,000,000 (L)	20.04% (L)
Mr. Yue Wai Keung (Notes 2, 3 & 4)	40,000,000 (L)	525,000,000 (L) 100,000,000 (S)	565,000,000 (L) 100,000,000 (S)	10.29% (L) 1.82% (S)
Mr. Chan Kwan Pak	3,000,000 (L)	–	3,000,000 (L)	0.05% (L)
Dr. Chen Tzyh-Trong	3,000,000 (L)	–	3,000,000 (L)	0.05% (L)
Dr. Lee Chung Mong	3,000,000 (L)	–	3,000,000 (L)	0.05% (L)

Notes:

1. Black Sea Horizon Investment Holdings Limited (“Black Sea”), a company incorporated in Hong Kong with limited liability, is beneficially owned as to 60% by Ms. Zhao Shu Min and is beneficially and jointly owned 40% by Mr. Chan Wai Lun Anthony (“Mr. Chan”) (the Chairman and executive Director) and Mr. Chan Kin Wah Daniel who is the son of Mr. Chan.
2. 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.
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 held by it.

Save as disclosed above, as at 30 September 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 30 September 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
Black Sea Horizon Investment Holdings Limited (Note 1)	Beneficial interest	1,100,000,000 (L)	20.04% (L)
Beijing Black Sea Horizon Investment Holdings Limited (Note 1)	Interest of controlled corporation	1,100,000,000 (L)	20.04% (L)
Investia Consultancy Limited (Note 1)	Interest of controlled corporation	1,100,000,000 (L)	20.04% (L)
Mr. Chan Kin Wah Daniel (Note 1)	Beneficial interest	1,100,000,000 (L)	20.04% (L)
Ms. Zhao Shu Min (Note 1)	Beneficial interest	1,100,000,000 (L)	20.04% (L)
Inno Smart Group Limited (Notes 2)	Beneficial interest	525,000,000 (L)	9.56% (L)
	Beneficial interest	100,000,000 (S)	1.82% (S)
Strong Choice Investments (Holdings) Limited (Notes 3, 4 & 5)	Interest of controlled corporation	525,000,000 (L)	9.56% (L)
	Interest of controlled corporation	100,000,000 (S)	1.82% (S)

Name	Capacity	Number of ordinary shares held	Approximate percentage of the Company's issued share capital
Billion Sky Resources Limited (Note 2)	Interest of a controlled corporation	525,000,000 (L)	9.56% (L)
	Interest of a controlled corporation	100,000,000 (S)	1.82% (S)
Mr. Yu Won Kong Dennis (Notes 3, 4 & 5)	Interest of a controlled corporation	525,000,000 (L)	
	Beneficial owner	4,218,000 (L)	
		529,218,000 (L)	9.64% (L)
	Interest of a controlled corporation	100,000,000 (S)	1.82% (S)
Ms. Ho Siu Lan, Sandy (Note 6)	Interest of child under 18 or spouse	529,218,000 (L)	9.64% (L)
	Interest of child under 18 or spouse	100,000,000 (S)	1.82% (S)
Ms. Man Wing Tuen (Note 7)	Interest of child under 18 or spouse	565,000,000 (L)	10.29% (L)
	Interest of child under 18 or spouse	100,000,000 (S)	1.82% (S)
Mr. Xu Ziming	Beneficial owner	419,627,000	7.64%

Notes:

- Black Sea is a company incorporated in Hong Kong with limited liabilities and is 60% owned by Mr. Chan Wai Lun, Anthony (the Chairman and executive Director) in trust for 北京黑海宏業投資控股有限公司 (for identification purpose only, with English translation as "Beijing Black Sea Horizon Investment Holdings Limited") ("Beijing Black Sea") and 40% by Investia Consultancy Limited ("Investia") which is beneficially and jointly owned as to 50% by Mr. Chan Wai Lun, Anthony and as to 50% by Mr. Chan Kin Wah Daniel who is the son of Mr. Chan Wai Lun Anthony. Beijing Black Sea is an enterprise established in the PRC. Investia is a company incorporated in British Virgin Islands with limited liabilities.
- Please refer to Notes 2 to 4 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.
- 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.

4. 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"), a former 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.
5. 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 held by it.
6. Ms. Ho Siu Lan, Sandy is the spouse of Mr. Yu Won Kong Dennis, a former executive director of the Company.
7. Ms. Man Wing Tuen is the spouse of Mr. 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 30 September 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 share options were granted under the share option scheme (the "Previous Scheme") which was adopted by the Company on 2 February 2002 and expired on 2 February 2012.

A new share option scheme (the "2012 Share Option Scheme") was approved and adopted on 22 March 2012 and the Directors of the Company were authorised 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 announcements of the Company dated 5 and 22 March 2012. There is no share option granted during the period under review.

The following table discloses movements in the outstanding share options granted under the Previous Scheme during the period:

Grantee	Date of grant	Outstanding at 1 January 2012	Granted during the period	Lapsed during the period	Outstanding at 30 September 2012	Exercise period	Exercise price
(Executive Directors)							
Mr. Yu Won Kong Dennis (resigned on 28 September 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
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		Exercise price
					at 30 September 2012	Exercise period	
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
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	-	(12,150,000)	35,300,000	22 February 2012 to 22 February 2014	HK\$0.706
	22 August 2011	47,450,000	-	(12,150,000)	35,300,000	22 February 2013 to 22 February 2014	HK\$1.059
Total		246,900,000	-	(127,300,000)	119,600,000		

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

The group did not have any significant events after the reporting period.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the nine-month period ended 30 September 2012, there was no purchase, sale or redemption by the Company, or any of its subsidiaries, of the Company's listed securities.

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 except that, following the retirement of Mr. Yeung Chi Hung, an independent non-executive director of the Company, on 7 May 2012, the Company had only two independent non-executive directors and two audit committee members, the number of which fell below the minimum number required under Rules 5.05(1) and 5.28 of the GEM Listing Rules until the Company appointed Mr. Li Wing Sum Steven to fill in the vacancy on 1 June 2012.

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. Li Wing Sum Steven. 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 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.

DIRECTORS OF THE COMPANY

Executive directors of the Company as at the date of this report are Mr. Chan Wai Lun Anthony, 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, Dr. Lee Chung Mong and Mr. Li Wing Sum Steven.

ON BEHALF OF THE BOARD

Chan Wai Lun Anthony

Chairman

Hong Kong

13 November 2012