



Creative Energy Solutions Holdings Limited

科瑞控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 8109)

2014

THIRD QUARTERLY REPORT



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

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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 (the “Directors”) of Creative Energy Solutions Holdings 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.

THIRD QUARTERLY RESULTS

The board of directors (the “Board”) of Creative Energy Solutions Holdings Limited (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the three months and nine months ended 31 March 2014 together with the comparative unaudited consolidated figures for the corresponding periods in 2013, as set out below:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months and nine months ended 31 March 2014

	Notes	Three months ended 31 March (Unaudited)		Nine months ended 31 March (Unaudited)	
		2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
Turnover	3	2,704	818	5,601	5,547
Cost of sales/services rendered		(2,606)	(771)	(5,191)	(4,689)
Gross profit		98	47	410	858
Other income		23	67	35	75
Distribution costs		(87)	(552)	(423)	(1,648)
General and administrative expenses		(1,616)	(2,008)	(5,679)	(5,431)
2 Loss before taxation		(1,582)	(2,446)	(5,657)	(6,146)
Taxation		—	—	(1)	—
Loss for the period		(1,582)	(2,446)	(5,658)	(6,146)
Other comprehensive income/ (expenses):					
Exchange difference arising from translation of financial statements of operations outside Mainland China		6	(6)	(7)	(94)
Total comprehensive expense for the period		(1,576)	(2,452)	(5,665)	(6,240)
Loss for the period attributable to:					
Equity shareholders of the Company		(1,413)	(2,196)	(5,093)	(5,478)
Non-controlling interests		(169)	(250)	(565)	(668)
		(1,582)	(2,446)	(5,658)	(6,146)
Total comprehensive expense for the period attributable to:					
Equity shareholders of the Company		(1,407)	(2,202)	(5,100)	(5,572)
Non-controlling interests		(169)	(250)	(565)	(668)
		(1,576)	(2,452)	(5,665)	(6,240)
Loss per share					
Basic and dilute	7	(0.07 cents)	(0.12 cents)	(0.27 cents)	(0.30 cents)

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The unaudited condensed consolidated financial statements for the nine months ended 31 March 2014 have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”), which collective terms includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKAS”) and Interpretations (“Int”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and accounting principles generally accepted in Hong Kong. The unaudited condensed consolidated financial statements also comply with the applicable disclosure requirements 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 unaudited condensed consolidated financial statements have been prepared under the historical cost conventional, as modified by financial assets designated as at fair value through profit or loss, which are carried at fair value.

The accounting policies and methods of computation used in the preparation of the unaudited condensed consolidated financial statements are consistent with those used in the annual financial statements for the year ended 30 June 2013.

The Group has not early applied any new standard, amendment or interpretation that has been issued but is not yet effective.

The unaudited condensed consolidated financial statements have not been audited by the Company’s auditors, but have been reviewed by the Company’s audit committee.

2. ORGANISATION AND OPERATIONS

Creative Energy Solutions Holdings Limited (the “Company”) is a public limited company domiciled and incorporated in Bermuda and its shares are listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The Company’s functional currency is Hong Kong dollars. The unaudited condensed consolidated financial statements are presented in Renminbi as it is considered the most appropriate presentation currency in view of the Company’s past practice. All values are rounded to the nearest thousand except when otherwise indicated.

3. TURNOVER AND SEGMENTS INFORMATION

Turnover represents revenue arising from provision of energy saving services and sales of energy saving products.

The Group’s revenue and contribution to loss are mainly derived from its provision of energy saving services and sales of efficiency solutions products and lighting products, which is regarded as a single reportable segment in a manner consistent with the way in which information is reported internally to the Board for the purposes of resource allocation and performance assessment. No analysis of segment assets and segment liabilities is presented as they are not regularly provided to the Board. In addition, the principal non-current assets employed by the Group are located in the PRC. Accordingly, no segment analysis is presented other than entity-wide disclosures.

Entity-wide disclosures

Information about products and services

The following table sets forth the total revenue recognised in turnover from external customers by products and services during the period:

	Three months ended		Nine months ended	
	31 March		31 March	
	2014	2013	2014	2013
	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Energy savings and efficiency solutions services and sales of related products	2,607	392	4,319	3,795
Energy savings and lighting services and sales of related products	97	426	914	1,494
Others	—	—	368	258
	<u>2,704</u>	<u>818</u>	<u>5,601</u>	<u>5,547</u>

4 4. TAXATION

(i) Overseas income tax

The Company is incorporated in Bermuda and is exempted from taxation in Bermuda. The Company's subsidiaries established in the British Virgin Islands are incorporated under the International Business Companies Acts of the British Virgin Islands and, accordingly, are exempted from British Virgin Islands income taxes. The Company's subsidiary established in the Republic of Seychelles is exempted from payment of the Republic of Seychelles income tax.

(ii) Hong Kong profits tax

No provision for Hong Kong profits tax has been made as the Group has no estimated assessable profits for the three and nine months ended 31 March 2014 (2013: Nil).

(iii) PRC enterprise income tax

Provision for PRC enterprise income tax for the three and nine months ended 31 March 2014 is charged at the appropriate current rates of taxation ruling in the relevant tax jurisdiction in the PRC (2013: Nil).

5. LOSS PER SHARE

Basic loss per share

The calculation of basic loss per share is based on the loss attributable to the equity shareholders of the Company for the period and the weighted average number of ordinary shares in issue during the period:

	Three months ended 31 March		Nine months ended 31 March	
	2014 RMB'000 (Unaudited)	2013 RMB'000 (Unaudited)	2014 RMB'000 (Unaudited)	2013 RMB'000 (Unaudited)
Attributable to:				
Equity holders of the Company	<u>(1,413)</u>	<u>(2,196)</u>	<u>(5,093)</u>	<u>(5,478)</u>

	Three months ended 31 March		Nine months ended 31 March	
	2014 Number of shares '000	2013 Number of shares '000	2014 Number of shares '000	2013 Number of shares '000
Weighted average number of ordinary shares in issue during the period	<u>1,899,680</u>	<u>1,834,040</u>	<u>1,887,223</u>	<u>1,834,040</u>

	Three months ended 31 March		Nine months ended 31 March	
	2014 RMB (Unaudited)	2013 RMB (Unaudited)	2014 RMB (Unaudited)	2013 RMB (Unaudited)
Loss per share	<u>(0.07 cents)</u>	<u>(0.12 cents)</u>	<u>(0.27 cents)</u>	<u>(0.30 cents)</u>

The Calculation of the diluted loss per share amount is based on the loss for the period attributable to ordinary equity shareholders of the Company. The weight average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the period, as used in the basic loss per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise of all dilutive potential ordinary shares into ordinary shares.

No adjustment has been made to the basic loss per share amount presented for the three months and nine months ended 31 March 2014 and 2013 as the impact of the share options in issue during those periods have no dilutive effect.

6. SHARE CAPITAL

	Number of of share '000	Amount RMB '000
Authorised:		
Ordinary shares of HK\$0.05		
At 1 July 2012 (audited)	2,000,000	106,000
Effect of share subdivision	<u>18,000,000</u>	<u>—</u>
Ordinary shares of HK\$0.005		
At 30 June 2013 (audited) and at 31 March 2014 (unaudited)	<u>20,000,000</u>	<u>106,000</u>
Issued and fully paid:		
Ordinary shares of HK\$0.05		
At 1 July 2012 (audited)	183,404	8,076
Effect of share subdivision	<u>1,650,636</u>	<u>—</u>
Ordinary shares of HK\$0.005		
At 30 June 2013 (audited)	1,834,040	8,076
Issue of shares in consideration for acquisition of interest in a subsidiary (<i>note a</i>)	62,000	247
Shares issued upon the exercise of share option (<i>note b</i>)	<u>3,640</u>	<u>14</u>
At 31 March 2014 (unaudited)	<u>1,899,680</u>	<u>8,337</u>

- (a) On 3 May 2013, Best Creation International Limited, a wholly owned subsidiary of the Company, entered into a sale and purchase agreement with Energy Treasure Limited, an independent third party, to acquire the Sale Share and the Sale Loans of Luck Shamrock Limited at a total consideration of HK\$18,600,000, satisfied by the issue of a total of 62,000,000 consideration shares at the issue price of HK\$0.3 per consideration share. The consideration shares were issued on 22 August 2013 at the issue price of HK\$0.41 per share upon completion of the acquisition.
- (b) On 22 August 2013, the subscription rights attaching to 3,640,000 share options were exercised at the exercise price of HK\$0.355 per share, resulting in the issue of 3,640,000 shares of HK\$0.355 and new share capital of HK\$18,200 and share premium of HK\$1,274,000, together with a release of the share options reserve amounting to HK\$316,350 credited to the share premium account.

7. RESERVES

Condensed Consolidated Statement of Changes in Equity (Unaudited)

For the nine months ended 31 March 2014

	Share capital	Share premium	Share option reserve	Translation reserve	Accumulated losses	Total	Non- Controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 July 2012 (Audited)	8,076	102,525	9,369	5,712	(92,500)	33,182	2,353	35,535
Capital injection by non- controlling shareholder	—	—	—	—	—	—	2,450	2,450
Loss for the period	—	—	—	—	(5,478)	(5,478)	(668)	(6,146)
Exchange difference arising from translation of financial statements of operations outside Mainland China	—	—	—	(94)	—	(94)	—	(94)
At 31 March 2013 (Unaudited)	<u>8,076</u>	<u>102,525</u>	<u>9,369</u>	<u>5,618</u>	<u>(97,978)</u>	<u>27,610</u>	<u>4,135</u>	<u>31,745</u>
At 1 July 2013 (Audited)	8,076	102,525	4,689	5,546	(94,631)	26,205	3,876	30,081
Loss for the period	—	—	—	—	(5,093)	(5,093)	(565)	(5,658)
Exchange difference arising from translation of financial statements of operations outside Mainland China	—	—	—	(7)	—	(7)	—	(7)
Share issued upon exercise of share option	14	1,265	(252)	—	—	1,027	—	1,027
Issue of shares in consideration for acquisition of interests in a subsidiary	247	19,977	—	—	—	20,224	—	20,224
At 31 March 2013 (Unaudited)	<u>8,337</u>	<u>123,767</u>	<u>4,437</u>	<u>5,539</u>	<u>(99,724)</u>	<u>42,356</u>	<u>3,311</u>	<u>45,667</u>

MANAGEMENT DISCUSSION AND ANALYSIS

The Company acts as an investment holding company and the Group is principally engaged in the provision of energy saving services and sales of energy saving products in the People's Republic of China ("PRC") including Hong Kong.

Financial Review

During the nine months ended 31 March 2014, the Group's turnover was approximately RMB5,601,000, representing a slight increase of 1.0% as compared to the same period in the previous year (31 March 2013: approximately RMB5,547,000). Turnover for the three months ended 31 March 2014 was increased from approximately RMB818,000 to approximately RMB2,704,000, which was mainly attributable completion date of an energy efficiency project amounting to approximately RMB2 million from December 2013 to early 2014. Gross profit for the nine months ended 31 March 2014 was approximately RMB410,000. Gross profit margin for the nine months ended 31 March 2014 was 7.3%.

Distribution costs for the nine months ended 31 March 2014 was approximately RMB423,000 (31 March 2013: approximately RMB1,648,000). Decrease in distribution cost which was mainly attributable to effective management of sales and marketing cost, particularly on closely monitoring to entertainment and travelling expenses, which was reduced from approximately RMB1.0 million in 2013 to approximately RMB300,000 in the current period. Another reason for decrease in distribution cost was the expenses relating to the patent application, which was reduced from approximately RMB480,000 in 2013 to approximately RMB70,000 in the current period.

Administrative expenses for the nine months ended 31 March 2013 was approximately RMB5,679,000, representing a 4.6% increase as compared to the same period in 2013 (31 March 2013: approximately RMB5,431,000), which was mainly attributable to professional fee in relating to the major transaction – acquisition of Luck Shamrock Limited which was completed in August 2013.

The Group recorded a loss of approximately RMB5,658,000 for the nine months ended 31 March 2014, representing a 7.9% decrease as compared to the same period in the previous year (31 March 2013: approximately RMB6,146,000).

Business Review and Prospects

Following the completion of the Acquisition of Luck Shamrock Limited in August 2013, together with the experienced sales and marketing team of Xuzhou's subsidiary, technical and production support of the Shaoxing's subsidiary company, the Group becomes an integrated energy efficiency solutions services pioneer in providing various energy efficiency solutions services including design, manufacturing, consultation, installation and assembly services to existing and potential customers.

The Group has continuously dedicated its effort in research and development through updating its technology and products development in order to maintain the pioneer position in the energy efficiency solutions industry. Looking forward to the coming quarters, the Group will continue to look for appropriate investment opportunities in the energy efficiency sector with reasonable earnings.

Capital Structure

As at 31 March 2014, the Company's total number of issued shares was 1,899,680,000 shares of HK\$0.005 each (30 June 2013: 1,834,040,000 shares of HK\$0.005 each). Details of the capital structure of the Company are set out in note 6 to the condensed consolidated statements.

DIVIDENDS

The directors do not recommend the payment of any dividend for the period ended 31 March 2014 (2013: Nil).

AUDIT COMMITTEE

The Company has established an audit committee (the "Audit Committee") with written terms of reference, for the purpose of reviewing and providing supervision over the Group's financial reporting process and internal controls.

The unaudited financial results for the nine months ended 31 March 2014 have been reviewed by the Audit Committee, which was of the opinion that the preparation of such financial results complied with the applicable accounting standards and requirements and adequate disclosure have been made.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN INTERESTS

At 31 March 2014, 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 corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO"), as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or otherwise notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by directors, were as follows:

Name of Directors	Nature of interest	Note	Number of issued ordinary shares held	Number of underlying shares held	Total	Approximately percentage of total issued shares as at 31 March 2014
Mr. Xu Bo	Corporate	(1)	1,270,574,400	—	1,270,574,400	
	Personal	(2)	—	440,000	440,000	
					<u>1,271,014,400</u>	<u>66.91%</u>
Dr. Wu Chun Wah	Corporate	(1)	127,057,440	—	1,270,574,400	
	Personal	(3)	440,000	—	440,000	
					<u>1,271,014,400</u>	<u>66.91%</u>
Dr. Ma Jun	Personal	(4)	—	8,000,000	8,000,000	0.42%
Mr. Cheong Ying Chew, Henry	Personal	(5)	—	880,000	880,000	0.05%
Mr. Leung Heung Ying	Personal	(5)	—	880,000	880,000	0.05%
Dr. Zhao Bin	Personal	(5)	—	880,000	880,000	0.05%

Notes:

- (1) The interest disclosed represents the corporate interest in 1,270,574,400 shares held by Million Sino Investments Limited, which is a company incorporated in the British Virgin Islands and is owned as to 50% by each of Mr. Xu Bo and Dr. Wu Chun Wah.

- (2) The interest disclosed represents the personal interest in 440,000 underlying shares in respect of the 440,000 share options granted by the Company to Mr. Xu Bo. These share options were granted on 2 Jun 2011 and are exercisable as during the period from 2 June 2012 to 1 June 2014, all at an exercise price of HK\$0.355 per share.
- (3) The interest disclosed represents the personal interest in 440,000 shares held by Dr. Wu Chun Wah.
- (4) The interest disclosed represents the personal interest in 8,000,000 underlying shares in respect of the 8,000,000 share options granted by the Company to Dr. Ma Jun. These share options were granted on 2 June 2011 and are exercisable during the period from 2 June 2012 to 1 June 2014, all at an exercise price of HK\$0.355 per share.
- (5) The interest disclosed represents the personal interest in 880,000 underlying shares in respect of the 880,000 share options granted by the Company to each of Mr. Cheong Ying Chew, Henry, Mr. Leung Heung Ying and Dr. Zhao Bin. These share options were granted on 2 June 2011 and are exercisable during the period from 2 June 2012 to 1 June 2014, all at an exercise price of HK\$0.355 per share.
- (6) All the interests disclosed above represent long position in the shares of the Company.

Save as disclosed above and in the section headed “Substantial Shareholders’ Interest in Securities” below, as at 31 March 2014, none of the directors and chief executive of the Company or their associates had or deemed to have any interest or short position 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) as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or otherwise 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.

SUBSTANTIAL SHAREHOLDERS' INTEREST IN SECURITIES

At 31 March 2014, save as disclosed in the section headed "Directors' and Chief Executive's Interests in Securities" above for interests of Mr. Xu Bo and Dr. Wu Chun Wah and each of their associates including Million Sino Investments Limited, in shares and underlying shares of the Company, the following persons had or deemed to have an interest in the shares and the underlying shares of the Company which were recorded in the register maintained by the Company pursuant to Section 336 of the SFO:

Name	Capacity	Note	Number of issued ordinary shares held	Number of underlying shares held	Total	Approximately percentage of total issued shares as at 31 March 2014
Ms Chen Li	Interest of spouse	(1)	<u>1,270,574,400</u>	<u>440,000</u>	<u>1,271,014,400</u>	<u>66.91%</u>
Ms Lee Siu Yee, Brenda	Interest of spouse	(2)	<u>1,271,014,400</u>	<u>—</u>	<u>1,271,014,400</u>	<u>66.91%</u>

Notes:

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- (1) Ms Chen Li, the spouse of Mr. Xu Bo, is also deemed to be interested in such 127,057,440 shares and 440,000 underlying shares in which Mr. Xu Bo is deemed to be interested.
- (2) Ms Lee Siu Yee, Brenda, the spouse of Dr. Wu Chun Wah, is also deemed to be interested in such 1,271,014,400 shares in which Dr. Wu Chun Wah is deemed to be interested.
- (3) All the interests disclosed above represent long position in the shares of the Company.

Save as disclosed above, as at 31 March 2014, so far as was known to Directors based on the information available, no person, other than the Directors and chief executive of the Company whose interest have been set out in the section headed "Directors' and Chief Executive's Interests In Securities" above, had registered an interest and a short position in the shares or underlying shares of the Company as recorded in the register of the Company required to be kept pursuant to section 336 of the SFO.

SHARE OPTION SCHEME

The Company adopted a share option scheme (the “Scheme”) pursuant to a resolution passed by the shareholders on 5 November 2010, based on the contribution of individual eligible persons as defined in the Scheme towards the growth and development the Group.

Under the Scheme, the Board may grant share options to the eligible persons to subscribe for such number of shares during such period of time as the Board may determine. Share options granted should be accepted not later than 28 days from the offer date for each tranche of share options granted. Upon acceptance of the share options, the grantee shall pay HK\$1.00 (equivalent to RMB0.81) to the Company by way of consideration for the grant.

The exercise price of the share option shall be the highest of (i) the closing price of the shares on the Growth Enterprise Market (“GEM”) as stated in The Hong Kong Stock Exchange Limited’s (“Stock Exchange”) daily quotation sheet on the date of grant; (ii) the average closing price of the shares on the GEM as stated in the Stock Exchange’s daily quotation sheets for the 5 trading days immediately preceding the date of grant; and (iii) the nominal value of a share.

Details of movements in the share options during nine months ended 31 March 2014 under the Scheme are as follows:

Grantees	Exercisable period	Number of share option ('000 shares)			
		Balance as at 1.7.2013	Granted during the period	Exercised during the period	Balance as at 31.3.2014
<i>Executive Directors:</i>					
Wu Chun Wah	2.6.2012-1.6.2014	440	—	440	—
Ma Jun	2.6.2012-1.6.2014	8,000	—	—	8,000
<i>Non-Executive Director:</i>					
Xu Bo	2.6.2012-1.6.2014	440	—	—	440
<i>Independent Non-Executive Directors:</i>					
Cheong Ying Chew, Henry	2.6.2012-1.6.2014	880	—	—	880
Leung Heung Ying	2.6.2012-1.6.2014	880	—	—	880
Zhao Bin	2.6.2012-1.6.2014	880	—	—	880
Employees	2.6.2012-1.6.2014	19,500	—	200	19,300
Other eligible persons	2.6.2012-1.6.2014	34,500	—	3,000	31,500
Total		65,520	—	3,640	61,880

Notes:

- (1) All share options were granted on 2 June 2011 and the exercise price is HK\$3.55 per share.
- (2) The closing price of the shares of the Company immediately before the date on which the share options were granted (i.e. 1 June 2011) was HK\$3.55.
- (3) By an ordinary resolution passed in the Special General Meeting on 22 April 2013, a share subdivision of every one issued and unissued ordinary share of a par value of HK\$0.05 each in the share capital of the Company into ten subdivided shares of a par value of HK\$0.005 each is approved. As a result of the Share Subdivision having become effective on 23 April 2013 and pursuant to the terms of the Shares Option Scheme, the exercise price of the Shares to be allotted was adjusted to HK\$0.355.
- (4) No share options were cancelled under the Share Option Scheme during the period.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at 31 March 2014, none of the directors or the management shareholders of the Company (as defined in the GEM Listing Rules) had an interest in a business which competes or may compete with the business of the Group during the period.

COMPLIANCE WITH CODE OF BEST PRACTICE

- 14** The Board of Directors (“Board”) and the management of the Company are committed to the maintenance of good corporate governance practices and procedures. The Company believes that good corporate governance provides a framework that is essential for effective management, a healthy corporate culture, successful business growth and enhancing shareholders’ value. The corporate governance principles of the Company emphasize a quality Board, sound internal controls, and transparency and accountability to all shareholders. The Company has applied the principles and complied with all code provisions of the Code on Corporate Governance Practices (“Code on CG Practices”) as set out in Appendix 15 to the Rules (“GEM Listing Rules”) Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Stock Exchange”).

The Company is in compliance with the CG Code contained in Appendix 15 of the GEM Listing Rules and the Code Provisions save for the deviation as explained below:

The Code provision A4.1 provides that Non-executive Directors should be appointed for specific term, subject to re-election. The Company has deviated from the provision in that the Non-executive Directors and all Independent Non-executive Directors are not appointed for specific term. They are, however, subject to retirement by rotation and re-election. The reason for the deviation is that the Company does not believe that arbitrary limits on term of non-executive directorship are appropriate given that Directors ought to be committed to representing the long time interest of the Company's shareholders and the retirement and the re-election requirements of Non-executive Directors and Independent Non-executive Directors have given the Company's shareholders the right to approve continuation of Independent Non-executive Directors' offices.

The Code provision A6.7 provides that non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. Dr. Zhao Bin, Independent Non-executive Directors of the Company, did not attend the annual general meeting of the Company held on Wednesday, 13 November 2013 ("2013 AGM") due to his engagement in his own official business.

The Code Provision E1.2 provides that the chairman of the board should attend the annual general meeting. He should also invite the chairman of the audit, remuneration, nomination and any other committees (as appropriate) to attend. Mr. Xu Bo, the chairman of the Board, did not attend the 2013 AGM because he was in business trip for the engagement in the Group's business. Dr. Zhao, the chairman of the nomination committee of the Company did not attend the 2013 AGM due to the reason stated above.

Save as the aforesaid and in the opinion of the Directors, the Company has met all relevant code provisions set out in the CG code during the period ended 31 March 2014.

ADOPTED CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings ("Standard Dealings") 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 all the Directors confirmed that they have complied with the Standard Dealings during the nine months ended 31 March 2014.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the nine months ended 31 March 2014.

By order of the Board

Xu Bo
Chairman

Hong Kong, 12 May 2014

As at the date of this report, the Board comprises Dr. Wu Chun Wah and Dr. Ma Jun as the executive directors; Mr. Xu Bo as non-executive director, and Mr. Cheong Ying Chew, Henry, Mr. Leung Heung Ying, Alvin and Dr. Zhao Bin as the independent non-executive directors.