



Creative Energy Solutions Holdings Limited

科瑞控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 8109)

2016

THIRD QUARTERLY REPORT





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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 condensed consolidated results of the Company and its subsidiaries (collectively the “Group”) for the three months and nine months ended 31 March 2016 together with the comparative unaudited condensed consolidated figures for the corresponding periods in 2015, as set out below:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

For the three months and nine months ended 31 March 2016

	Notes	Three months ended 31 March (Unaudited)		Nine months ended 31 March (Unaudited)	
		2016 RMB'000	2015 RMB'000	2016 RMB'000	2015 RMB'000
Turnover	3	11,642	641	20,784	10,843
Cost of sales		<u>(8,667)</u>	<u>(526)</u>	<u>(15,128)</u>	<u>(10,349)</u>
Gross profit		2,975	115	5,656	494
Other income		—	—	160	5
Loss on disposal of subsidiaries		—	—	(556)	—
Distribution costs		(325)	(41)	(2,168)	(350)
Administrative and other expenses		(8,096)	(1,653)	(20,925)	(5,299)
Finance cost		<u>(3,401)</u>	<u>(207)</u>	<u>(7,277)</u>	<u>(207)</u>
Loss before taxation		(8,847)	(1,786)	(25,110)	(5,357)
Taxation	4	<u>(105)</u>	—	<u>(411)</u>	<u>(1)</u>
Loss for the period		(8,952)	(1,786)	(25,521)	(5,358)

	Three months ended		Nine months ended	
	31 March		31 March	
	(Unaudited)		(Unaudited)	
Notes	2016	2015	2016	2015
	RMB'000	RMB'000	RMB'000	RMB'000
Other comprehensive (expense) income:				
Item that may be reclassified subsequently to profit or loss:				
Exchange reserve released upon disposal of subsidiaries	—	—	2	—
Exchange difference arising from translation of foreign operation	<u>(958)</u>	<u>(633)</u>	<u>445</u>	<u>(633)</u>
Total comprehensive expense for the period	<u>(9,910)</u>	<u>(2,419)</u>	<u>(25,074)</u>	<u>(5,991)</u>
(Loss) profit for the period attributable to:				
Owners of the Company	<u>(9,054)</u>	<u>(1,670)</u>	<u>(24,856)</u>	<u>(5,018)</u>
Non-controlling interests	<u>102</u>	<u>(116)</u>	<u>(665)</u>	<u>(340)</u>
	<u>(8,952)</u>	<u>(1,786)</u>	<u>(25,521)</u>	<u>(5,358)</u>
Total comprehensive (expense) income for the period attributable to:				
Owners of the Company	<u>(10,012)</u>	<u>(2,303)</u>	<u>(24,409)</u>	<u>(5,651)</u>
Non-controlling interests	<u>102</u>	<u>(116)</u>	<u>(665)</u>	<u>(340)</u>
	<u>(9,910)</u>	<u>(2,419)</u>	<u>(25,074)</u>	<u>(5,991)</u>
Loss per share				
Basic and diluted	5 <u>(2.64 cents)</u>	<u>(0.58 cents)</u>	<u>(7.27 cents)</u>	<u>(1.75 cents)</u>

1. 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 (“GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The registered office of the Company is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The principal place of business of the Company is located at 23/F., Sang Woo Building, No. 227-228 Gloucester Road, Wanchai, Hong Kong. The Company acts as an investment holding company and the Group is principally engaged in the provision of energy saving service and related products in the People’s Republic of China (the “PRC”), money lending business, provision of insurance brokerage services in Hong Kong and provision of information technology services in Philippines.

The condensed consolidated financial statements are presented in Renminbi (“RMB”), as the currency of the primary economic environment in which the principal subsidiaries of the Company operate is in the PRC, while the functional currency of the Company is Hong Kong dollar. All values are rounded to the nearest thousand except when otherwise indicated.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The unaudited condensed consolidated financial statements for the nine months ended 31 March 2016 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 on the historical cost basis.

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 2015.

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

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.

3. REVENUE AND SEGMENTS INFORMATION

Information reported to the board of directors, being the chief operating decision maker, for the purposes of resource allocation and performance assessment. No operating segments identified by the chief operating decision maker have been aggregated in arriving at the reporting segments of the Group. The Group is principally engaged in provision of energy saving service and related products, insurance brokerage and related service, money lending service and information technology service. Specifically, the Group's reportable segments same as operating under HKFRS 8 are as follows:

- (a) Energy saving service and related products;
- (b) Insurance brokerage and related service;
- (c) Money lending service; and
- (d) Information technology service.

The insurance brokerage and related service segment, money lending segment and information technology service segment are introduced during the nine months ended 31 March 2016 through the acquisition of Kirin Financial Group Limited and its subsidiaries ("Kirin"), Red Link Enterprises Limited and its subsidiaries ("Red Link") and Red Rabbit Technology Inc. ("Red Rabbit") respectively.

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

	Three months ended 31 March		Nine months ended 31 March	
	2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
Sales of energy savings and related products	5,853	641	10,961	10,843
Information Technology service income	730	—	2,203	—
Money lending service income	552	—	961	—
Insurance brokerage and related service income	4,507	—	6,659	—
	<u>11,642</u>	<u>641</u>	<u>20,784</u>	<u>10,843</u>

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 ("BVI") are incorporated under the International Business Companies Acts of the BVI and, accordingly, are exempted from BVI 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 2016 (2015: Nil).

(iii) PRC enterprise income tax

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

(iv) Deferred Tax

The Group did not have any significant unprovided deferred taxation as at 31 March 2016 and 2015.

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	
	2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
Attributable to:				
Equity holders of the Company	<u>(9,054)</u>	<u>(1,670)</u>	<u>(24,856)</u>	<u>(5,018)</u>

Three months ended 31 March		Nine months ended 31 March	
2016	2015	2016	2015
Number of shares	Number of shares	Number of shares	Number of shares
'000	'000	'000	'000

Weighted average number of ordinary shares in issue during the period

342,373	290,124	341,752	286,934
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The calculation of basic loss per share is based on the loss attributable to the equity shareholders of the Company for the nine months ended 31 March 2016 of approximately RMB24,856,000 (2015: RMB5,018,000) and the weighted average number of 341,752,000 (2015: 286,934,000 (restated)) ordinary shares in issue during the period. The comparative amount of the basic loss per share for 2015 has been adjusted to reflect the impact of the bonus issue of shares and share consolidation as set out in the announcements and circular of the Company dated 21 August 2015, 4 September 2015, 7 September 2015, 14 January 2016 and 19 February 2016.

The diluted loss per share is equal to the basic loss per share as there were no dilutive potential ordinary shares outstanding during the nine months ended 31 March 2016 (2015: nil).

6. SHARE CAPITAL

	Number of share '000	Amount RMB'000
Authorised:		
Ordinary shares of (31 March 2016: HK\$0.05, 30 June 2015: HK\$0.005)		
At 1 July 2015 (audited)	20,000,000	106,000
Share consolidation (<i>note c</i>)	(18,000,000)	(95,400)
Increase in authorised share capital	<u>1,000,000</u>	<u>5,300</u>
At 31 March 2016 (unaudited)	<u>3,000,000</u>	<u>15,900</u>
Issued and fully paid:		
At 1 July 2015 (audited)	2,092,490	9,108
Issuance of shares (<i>note a</i>)	190,000	780
Bonus issue (<i>note b</i>)	1,141,245	4,680
Share consolidation (<i>note c</i>)	<u>(3,081,362)</u>	<u>—</u>
At 31 March 2016 (unaudited)	<u>342,373</u>	<u>14,568</u>



Notes:

- (a) During the nine months ended 31 March 2016, the Company completed the placing and subscription of 190,000,000 shares at a price of HK\$0.164 per share. The proceeds of HK\$950,000 (equivalent to approximately RMB780,000), representing the aggregate nominal value, has been credited to the Company's share capital. The remaining proceeds of approximately HK\$30,400,000 (equivalent to approximately RMB24,934,000), before issue expenses, have been credited to the share premium account.

Details are set out in the announcements dated 22 June 2015 and 6 July 2015.

- (b) By an ordinary resolution passed at a special general meeting on 24 September 2015, the issued share capital was increased by way of a bonus issue by applying HK\$5,706,000 (equivalent to approximately RMB4,680,000) charged to the share premium account as payment in full for 1,141,245,000 shares at par of HK\$0.005 each, on the basis of one new shares for every two shares held on 6 October 2015.

None of the Company's subsidiaries purchased, sold or redeemed any of the Company's listed securities during the period.


All new ordinary shares issued during the period rank *pari passu* in all respects with the existing shares.

- (c) Pursuant to a special general meeting resolution passed on 7 March 2016, every 10 ordinary shares of HK\$0.005 each in the issued and unissued share capital of the Company were consolidated into one consolidated ordinary share of HK\$0.05 each in the issued and unissued share capital of the Company effective on 8 March 2016.

7. RESERVES

Condensed Consolidated Statement of Changes in Equity (Unaudited)*For the nine months ended 31 March 2016*

	Share capital	Share premium	Translation reserve	Accumulated losses	Total	Non- Controlling interests	Total equity
	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000
At 1 July 2014 (Audited)	8,348	124,756	5,382	(110,325)	28,161	3,171	31,332
Loss for the period	—	—	—	(5,018)	(5,018)	(340)	(5,358)
Exchange difference arising from translation of foreign operations	—	—	(633)	—	(633)	—	(633)
Total comprehensive expense for the period	—	—	(633)	(5,018)	(5,651)	(340)	(5,991)
Issue of shares	760	22,941	—	—	23,701	—	23,701
At 31 March 2015 (Unaudited)	9,108	147,697	4,749	(115,343)	46,211	2,831	49,042
At 1 July 2015 (Audited)	9,108	147,696	5,668	(125,949)	36,523	1,189	37,712
Loss for the period	—	—	—	(24,856)	(24,856)	(665)	(25,521)
Exchange reserve released upon disposal of subsidiaries	—	—	2	—	2	—	2
Exchange difference arising from translation of foreign operations	—	—	445	—	445	—	445
Total comprehensive income (expense) for the period	—	—	447	(24,856)	(24,409)	(665)	(25,074)
Issue of shares, net of expenses (note 6)	780	24,677	—	—	25,457	—	25,457
Bonus Issue (note 6)	4,680	(4,680)	—	—	—	—	—
Acquisition of subsidiaries (note a)	—	—	—	—	—	1,824	1,824
Disposal of subsidiaries (note b)	—	—	—	—	—	(1,072)	(1,072)
At 31 March 2016 (Unaudited)	14,568	167,693	6,115	(150,805)	37,571	1,276	38,847

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- (a) On 24 August 2015, the Group entered into an agreement with independent third party to acquire the entire equity interests in Kirin, which engaged in insurance brokerage service in the Hong Kong, for a cash consideration of approximately RMB8,967,000 (equivalent to HK\$10,700,000). Details are set out in the announcement dated 24 August 2015.

On 8 April 2015 and 12 June 2015, the Group entered into an agreement and a supplemental agreement with independent third parties to acquire 51% equity interests in Red Rabbit, which engaged in provision of information technology service in Philippines, for a consideration of approximately RMB20,950,000 (equivalent to HK\$25,000,000). Details are set out in the announcements dated 8 April 2015, 12 June 2015, 23 June 2015 and 24 September 2015.

- (b) On 17 September 2015, the Group entered into a sale and purchase agreement with an independent third party, for the disposal of its entire equity interest in Sincere Action Investments Limited (“Sincere Action”) and its subsidiary at a cash consideration of approximately RMB6,600,000. The transaction was completed on 22 September 2015.

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 PRC. The Group also commenced the money lending business in Hong Kong, the provision of insurance brokerage services in Hong Kong and the provision of information technology service in the Philippines through its subsidiaries during the nine months ended 31 March 2016.

Financial Review

During the nine months ended 31 March 2016, the Group’s turnover was approximately RMB20,784,000, representing a significantly increase of 92% as compared to the same period in the previous year (31 March 2015: approximately RMB10,843,000). Turnover for the three months ended 31 March 2016 was significantly increase of 1,716% to approximately RMB11,642,000 as compared the same period in 2015. Gross profit for the nine months ended 31 March 2016 was approximately RMB5,656,000. Gross profit margin for the nine months ended 31 March 2016 was 27.2% (2015: 4.6%). The significant increase in turnover and gross profit margin was mainly due to the Group acquired certain businesses in second half year of 2015, and turnover increase in approximately RMB9,823,000 during the nine months ended 31 March 2016 was mainly due to acquisition of Kirin and Red Rabbit.

Distribution costs for the nine months ended 31 March 2016 was approximately RMB2,168,000 (31 March 2015: approximately RMB350,000). The increase was mainly due to additional selling and distribution expenses incurred for the business of insurance brokerage services.

Administrative expenses for the nine months ended 31 March 2016 was approximately RMB20,925,000, representing an increase of approximately RMB15,626,000 as compared to the same period in 2015 (31 March 2015: approximately RMB5,299,000). The increase was mainly due to increase in legal and professional fee related to certain business acquisitions and disposals of the subsidiaries, computer expenses, salaries, operating lease rental of premises, travelling and entertainment expenses.

The Group recorded a loss of approximately RMB25,521,000 for the nine months ended 31 March 2016, representing an increase of 376% as compared to the same period in the previous year (31 March 2015: approximately RMB5,358,000). The loss is mainly attributable to the increase in distribution costs and administration expenses.

Business Review and Prospects

The Group is principally engaged in (i) provision of energy saving solutions and related services in the PRC; (ii) insurance brokerage and related service in Hong Kong; (iii) money lending business in Hong Kong; and (iv) provision of information technology service in the Philippines during the nine months ended 31 March 2016. The energy saving business of the Group includes the provision of consultancy services for a variety of central air-conditioning retrofit projects in various sectors including commercial buildings and public district heating systems in the PRC. In recent years, the property market woes of the PRC intensified with continuous decline in real estate sales and price coupled with weakened domestic demand. China economic slowdown deepened as the structural transformation of economy continued.

The recent economic downturn of the PRC has caused more significant adverse impact on infrastructural related industries as the demand of steel, cement, coal and aluminum dropped dramatically leading to sharp deceleration in industrial output and increased idle capacity. Facing the severe operating environment, various iron and steel mills, cement plants, coal mining and refining plants and heavy industrial plants postponed or suspended the construction of new production facilities as well as the energy saving facilities. The situation became conspicuous in early and mid of 2014 when certain rules and policies related to restriction to pollution and excessive production capacity were imposed by the PRC government.

In addition, the overall price of the energy market in the global market in the last quarter of 2014 was plummeted. The crude oil price continued to decrease from last quarter of 2014 to first quarter of 2016. Eventually, the significant decrease in demand of energy efficient and saving services triggered the cut-throat competition in the energy efficiency market. To capture the limited business opportunities, some energy saving solution providers even accepted energy management contracts at loss with prolonged return periods. Some of the clients of the Group's energy saving business have decided to cancel or request for re-tendering of the contracts the Group has been awarded. The Group is facing difficulties to solicit energy saving contracts with the Group's existing or targeted clients.

Accordingly, turnover for both of energy savings and efficiency solutions and energy savings and lighting services has declined significantly. The Group is facing fierce competition in the energy savings industry and has made substantial loss from operation every year since 2005. The Group is taking positive steps to restructure the Group's energy saving business operations and is focusing on business segments with positive outlook in order to maximize the returns to the shareholders of the Company.

Given the poor operation environment, and as two of the subsidiaries of the Company located in Xuzhou and Shaoxing require more time to develop new clients and explore new business opportunities and require further investments from the Company for them to obtain the accreditation for safety tests and expand their overseas market, the Company disposed of these two subsidiaries in September 2015 so as to focus its financial resources on other businesses of the Group. The Company expects that the financial performance of the Group's energy saving business will remain unsatisfactory in the foreseeable future and will be scaled down to a minimal level.

The Group is constantly exploring opportunities in the diversification of business risk with a view to maximising returns to the Group and the shareholders of the Company as a whole in the long run. In July 2015, the Group acquired the entire issued capital of Red Link Enterprises Limited and its subsidiary which holds a money lenders licence to carry out business as a money lender in Hong Kong. In August 2015, the Group acquired the entire issued capital of Kirin Financial Group Limited which is principally engaged in insurance brokerage and money lending business in Hong Kong. In September 2015, the Group acquired 51% equity interest in Red Rabbit Technology Inc. which is principally engaged in the provision of online game platforms, provision of software applications and solutions, including research and development and design of new software, improvement of existing software, marketing and promotion, sale and distribution of hardware and software, setting up and installation of computerized information system and the provision of maintenance services.

To cope with the future development of the Group's businesses, the Company completed an open offer to raise fund in order to satisfy its funding needs in marketing and promotion, recruitment and training, updating of the Group's information technology system, relocating its existing business office and general working capital. The Group's short-term goal in the energy saving business is to reduce operation costs and minimise losses from operation. The Group intends to acquire its own office premise for the energy saving business to reduce the rental expenses. In the foreseeable future, the Group will not expand its energy saving business until the market conditions have been significantly improved. The management of the Group is committed to looking for business opportunities that would generate long-term returns to the shareholders of the Company.

Capital Structure

As at 31 March 2016, the Company's total number of issued shares was 342,373,000 shares of HK\$0.05 each (30 June 2015: 2,902,490,000 shares of HK\$0.005 each). Details of the capital structure of the Company are set out in note 6 to the unaudited condensed consolidated statements.

DIVIDENDS

The directors do not recommend the payment of any dividend for the nine months ended 31 March 2016 (2015: Nil).

EVENT AFTER REPORTING DATE

On 14 January 2016, the Company entered into the underwriting agreement with the underwriter in respect of the Open Offer of five offer shares for every two consolidated share held on record date at HK\$0.12 per offer share. The Open Offer was completed on 15 April 2016. The net proceeds of the Open Offer was amounted to approximately HK\$99,400,000, after deducting the underwriting commission and other related expenses of approximately HK\$3,312,000.

On 20 April 2016, the Company entered into a placing agreement with a placing agent whereby the Company agreed to place, through the placing agent, on a best effort basis, up to an aggregate of 68,460,000 new shares to not less than six placees at a price of HK\$0.145 per placing share, which represented approximately 5.71% of the aggregated number of the issued ordinary shares of the Company as at 20 April 2016; and approximately 5.40% of the aggregated number of the issued ordinary shares of the Company as enlarged by the issue of the 68,460,000 placing shares. The placement had been completed on 10 May 2016 and a total of 68,460,000 new shares were issued providing the aggregate net proceeds of approximately RMB8.1 million (equivalent to HK\$9.73 million) to the Company. Details are set out in the announcements dated 20 April 2016 and 10 May 2016.

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 2016 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 SECURITIES

As at the 31 March 2016, none of the directors nor chief executives of the Company and their associates had any interests or short positions in any shares, underlying shares and 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 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 maintained by the Company referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the GEM Listing Rules.

DIRECTORS' AND CHIEF EXECUTIVES' RIGHTS TO ACQUIRE SHARES OR DEBT SECURITIES

As at 31 March 2016, neither the Company nor any of its subsidiaries was a party to any arrangements to enable the directors and chief executives of the Company to acquire benefits by means of the acquisition of shares in, or debt securities, including debentures, of the Company or any other body corporate, and none of the Directors, chief executives or their spouses or children under the age of 18 had any right to subscribe for the securities of the Company, or had exercised any such right.

SUBSTANTIAL SHAREHOLDERS' INTEREST IN SECURITIES

As at 31 March 2016, so far as was known to the Directors, the following persons (other than the Directors or chief executives of the Company as disclosed herein) had interests or short position in the shares or underlying shares which would fall to be disclosed to the Company under provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long Position in the shares

Name of Shareholder	Capacity	Number of shares interested	Approx. % to the issued share capital
Mr. Hui Chi Kwan (<i>Note</i>)	Beneficial owner	62,019,660	18.11%
Asia Pacific Forest Company Limited (<i>Note</i>)	Interest in a controlled corporation	62,019,660	18.11%
Button Hill Limited (<i>Note</i>)	Interest in a controlled corporation	62,019,660	18.11%

Note: The interest disclosed represents the corporate interest in 62,019,660 shares held by Button Hill Limited which is wholly owned by Asia Pacific Forest Company Limited. Asia Pacific Forest Company Limited is wholly owned by Mr. Hui Chi Kwan.

Save as disclosed above, the Company has not been notified of any other interests or short positions in the issued share capital of the Company at 31 March 2016.

SHARE OPTION SCHEME

The Company adopted a share option scheme (the "Scheme") pursuant to a resolution passed by the shareholders on 5 November 2010. 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.

As at 31 March 2016, none of the Directors, employees and other eligible persons of the Company on its subsidiaries were granted options to subscribe for the shares of the Company.

MAJOR EVENTS DURING THE PERIOD

Capital Raising

On 22 June 2015, the Company entered into a placing agreement with a placing agent whereby the Company agreed to place, through the placing agent, on a best effort basis, up to an aggregate of 190,000,000 new shares to not less than six placees at a price of HK\$0.165 per placing share, which represented approximately 9.08% of the aggregated number of the issued ordinary shares of the Company as at 30 June 2015; and approximately 8.32% of the aggregated number of the issued ordinary shares of the Company as enlarged by the issue of the 190,000,000 placing shares. The placement had been completed on 6 July 2015 and a total of 190,000,000 new shares were issued providing the aggregate net proceeds of approximately RMB24,822,000 (equivalent to HK\$31,040,000) to the Company. Details are set out in the announcements dated 22 June 2015 and 6 July 2015.

On 14 January 2016, the directors of the Company proposed the share consolidation which involves the consolidation of every ten shares of ordinary shares of the Company of par value of HK\$0.005 each into one share (“Consolidated Share”) of par value of HK\$0.05 each. Also, the directors of the Company proposed to raise not more than approximately HK\$102,712,000, before expenses, by way of the open offer, by issuing 855,933,750 ordinary shares (“Offer Shares”) at a price of HK\$0.12 per share on the basis of five Offer Shares for every two Consolidated Shares held by the qualifying shareholders on the record date. Details are set out in the announcement and the Circular dated 14 January 2016 and 19 February 2016 respectively. The share consolidation was completed on 8 March 2016.

Major Acquisitions and Disposals

On 8 April 2015 and 12 June 2015, the Company entered into a sale and purchase agreement and a supplemental agreement respectively with two independent third parties. Pursuant to the sale and purchase agreement and the supplemental agreement, the Company agreed to acquire 51% equity interest of Red Rabbit Technology Inc. at the consideration of HK\$25,000,000. The transaction was completed on 24 September 2015. Upon Completion, the Company has issued a promissory note to the vendors as part of the consideration for the acquisition and paid the balance of the consideration by way of cash. Details are set out in the announcements of the Company dated 8 April 2015, 12 June 2015, 23 June 2015 and 24 September 2015.

On 22 July 2015, Treasure Explorer Investments Limited, a wholly owned subsidiary of the Company was incorporated and entered into a sale and purchase agreement with an independent third party, to acquire the entire issued share capital of Super Hero Production Company Limited at a consideration of RMB240,000 (equivalent to HK\$300,000). The acquisition was completed on 22 July 2015. Details are set out in the announcements dated 24 July 2015.

On 24 August 2015, the Company entered into the sale and purchase agreement with an independent third party pursuant to which the Company agreed to acquire the entire issued share capital of Kirin Financial Group Limited, at the consideration of HK\$10,700,000. Completion of this transaction took place on 24 August 2015. Details are set out in the announcement of the Company dated 24 August 2015.

On 11 September 2015, the Group entered into the disposal agreement with an independent third party to dispose the entire equity interest in Luck Shamrock Limited, at a consideration of RMB14,380,000. The aforesaid disposal was completed on 23 September 2015. Details are set out in the announcements of the Company dated 11 September 2015 and 23 September 2015.

On 17 September 2015, the Group entered into the disposal agreement with an independent third party to dispose the entire equity interest in Sincere Action Investments Limited, at a consideration of RMB6,600,000. The aforesaid disposal was completed on 22 September 2015. Details are set out in the announcements of the Company dated 17 September 2015 and 22 September 2015.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at 31 March 2016, 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

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.

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 nine months ended 31 March 2016.

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 2016.

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 2016.

By order of the Board
Chow Yik
Chairman

Hong Kong, 12 May 2016

As at the date of this report, the Board comprises Mr. Chow Yik, Dr. Ma Jun and Mr. Leung King Fai as the executive directors, Mr. Ng Chi Ho, Dennis, Mr. Wai Tze Lung, Francis, Ms. Chan Sin Wa, Carrie and Mr. Chung Shu Kun, Christopher as the independent non-executive directors.

This report, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with 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.