



Oriental City Group Holdings Limited

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 8325)

FIRST QUARTERLY REPORT 2013



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This report, for which the directors (the “Directors”) of Oriental City Group Holdings Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the 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.

FINANCIAL HIGHLIGHTS

- The Group's revenue amounted to approximately HK\$32.48 million for the three months ended 30 June 2013, which represented an increase of approximately 245% as compared with the Group's revenue recorded in the corresponding period in 2012.
- The Group reported a profit amounted to approximately HK\$3.23 million for the period ended 30 June 2013 as compared with a profit of approximately HK\$0.11 million last year. The Group reported a loss attributable to equity holders of the Company for the period ended 30 June 2013 amounted to approximately HK\$0.01 million, representing an improvement of approximately 98% over the corresponding period in last year.
- Loss per share for the loss attributable to equity holders of the Company for the three months ended 30 June 2013 was approximately 0.0014 HK cents (2012: 0.0740 HK cents).
- The Board does not recommend the payment of an interim dividend for the three months ended 30 June 2013 (2012: Nil).

FIRST QUARTERLY RESULTS (UNAUDITED)

The board of Directors of the Company (the "Board") is pleased to present the unaudited condensed consolidated financial results of the Company and its subsidiaries (collectively referred to as the "Group") for the three months ended 30 June 2013 together with the comparative figures for the corresponding period in 2012 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the three months ended 30 June 2013

		Unaudited Three months ended 30 June	
	<i>NOTE</i>	2013 HK\$	2012 HK\$
Revenue	2	32,484,013	9,409,380
Cost of services rendered		(22,586,625)	(6,300,053)
Gross profit		9,897,388	3,109,327
Other income		58,124	21,916
General administrative expenses		(4,545,779)	(2,156,224)
Selling and distribution costs		(224,325)	(229,898)
Finance costs	4	(9,596)	(7,622)
Profit before taxation	4	5,175,812	737,499
Income tax expense	5	(1,948,960)	(629,915)
Profit for the period		3,226,852	107,584
Attributable to:			
Equity holders of the Company		(8,358)	(444,271)
Non-controlling interests		3,235,210	551,855
		3,226,852	107,584
Loss per share for loss attributable to equity holders of the Company			
Basic and diluted	7	0.0014 HK cents	0.0740 HK cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months ended 30 June 2013

	Unaudited Three months ended 30 June	
	2013 HK\$	2012 HK\$
Profit for the period	3,226,852	107,584
Other comprehensive loss		
Exchange difference on translation of foreign subsidiaries	(877,908)	(108,208)
Total comprehensive income (loss) for the period	2,348,944	(624)
Attributable to:		
Equity holders of the Company	(740,746)	(500,134)
Non-controlling interests	3,089,690	499,510
	2,348,944	(624)

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED QUARTERLY FINANCIAL STATEMENT

For the three months ended 30 June 2013

1. CORPORATE INFORMATION AND BASIS OF PREPARATION

Corporate information

The Company was incorporated in the Cayman Islands on 12 December 2007 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The Company's shares are listed on the GEM of the Stock Exchange on 28 August 2009.

Basis of preparation

The unaudited condensed consolidated first quarterly financial statements of the Company for the three months ended 30 June 2013 (the "First Quarterly Financial Statements") have been prepared in accordance with the applicable disclosure requirements of Chapter 18 of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "GEM Listing Rules").

The preparation of the First Quarterly Financial Statements requires the management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

The First Quarterly Financial Statements include an explanation of events and transactions that are significant to an understanding of the financial performances of the Group since 31 March 2013, and therefore, do not include all of the information required for full set of financial statements prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRS") which collective term includes all applicable individual HKFRS, Hong Kong Accounting Standards and Interpretation issued by the Hong Kong Institute of Certified Public Accountants. They shall be read in conjunction with the Group's audited financial statements for the year ended 31 March 2013 (the "Annual Report").

The First Quarterly Financial Statements have been prepared on the historical costs basis.

1. CORPORATE INFORMATION AND BASIS OF PREPARATION *(continued)*

Basis of preparation *(continued)*

The accounting policies and methods of computation applied in the preparation of the First Quarterly Financial Statements are consistent with those applied in preparing the Annual Report. The adoption of the new/revised HKFRS that are relevant to the Group and effective from the current period, did not have any significant effect on the results and financial position of the Group for the current and prior accounting periods.

The Group has not early adopted any new/revised HKFRS that have been issued but are not yet effective for the current period. The Directors have already commenced an assessment of the impact of these new and revised HKFRS but are not yet in a position to reasonably estimate whether these new and revised HKFRS would have a significant impact on the Group's results of operations and financial position.

2. REVENUE

Revenue, which represents transaction fee income and foreign exchange rate discount income from card acceptance business, is analysed by category as follows:

	Unaudited Three months ended 30 June	
	2013 HK\$	2012 HK\$
Card acceptance transaction fee income	24,878,607	7,276,858
Foreign exchange rate discount income	7,605,406	2,132,522
	32,484,013	9,409,380

3. SEGMENT REPORTING

The Directors have been identified as the chief operating decision makers to evaluate the performance of operating segments and to allocate resources to those segments. Based on risks and returns and the Group's internal financial reporting, the Directors consider that the operating segments of the Group comprise:

- (i) card acceptance business in Thailand; and
- (ii) marketing business in the People's Republic of China (the "PRC").

3. SEGMENT REPORTING (continued)

In addition, the Directors consider that the place of domicile for the Group is Hong Kong, where the central management and control is located.

Segment results, which are the measures reported to the chief operating decision makers for the purposes of resources allocation and assessment of segment performance, represent the profit earned or loss incurred by each segment without allocation of interest and other income, finance costs, general administrative expenses incurred by corporate office and taxation.

In determining the Group's geographical segments, revenue is attributed to the segments based on the location where services are provided. The geographical segment information is reflected within operating segment information as the Group's two distinctive business activities are provided in two different locations.

Three months ended 30 June 2013 (unaudited)

	Card acceptance business HK\$	Marketing business HK\$	Consolidated HK\$
Segment revenue	32,484,013	–	32,484,013
Segment results	8,367,778	(24,614)	8,343,164
Unallocated interest and other income			58,124
Unallocated finance costs			(9,596)
Unallocated other expenses			(3,215,880)
Profit before taxation			5,175,812
Income tax expense			(1,948,960)
Profit for the period			3,226,852

3. SEGMENT REPORTING (continued)

Three months ended 30 June 2012 (unaudited)

	Card acceptance business HK\$	Marketing business HK\$	Consolidated HK\$
Segment revenue	9,409,380	–	9,409,380
Segment results	2,218,383	(28,888)	2,189,495
Unallocated interest and other income			21,916
Unallocated finance costs			(7,622)
Unallocated other expenses			(1,466,290)
Profit before taxation			737,499
Income tax expense			(629,915)
Profit for the period			107,584

4. PROFIT BEFORE TAXATION

	Unaudited Three months ended 30 June	
	2013 HK\$	2012 HK\$
This is stated after charging:		
Finance costs		
Finance costs on other long-term liabilities	9,596	7,622
Other items		
Depreciation of property, plant and equipment	233,875	159,034
Staff costs, including directors' emoluments and equity-settled share-based payment expenses	1,457,109	798,760
Operating lease charges on premises	359,225	278,222

5. TAXATION

	Unaudited	
	Three months ended	
	30 June	
	2013	2012
	HK\$	HK\$
Current tax		
Thailand income tax	1,575,960	611,913
Deferred tax		
Withholding tax on undistributed earnings of a non-wholly owned subsidiary	373,000	18,002
Current tax	1,948,960	629,915

(i) **Hong Kong Profits Tax**

Hong Kong Profits Tax has not been provided as the Group had no assessable profits arising in or derived from Hong Kong during the periods ended 30 June 2013 and 2012.

(ii) **Income taxes outside Hong Kong**

The Company and its subsidiaries established in the British Virgin Islands ("BVI") are exempted from the payment of income tax in the Cayman Islands and the BVI respectively.

Oriental City Group (Thailand) Company Limited ("OCG Thailand") is subject to Thailand enterprise income tax at 20% (2012: 23%).

5. TAXATION *(continued)*

(ii) Income taxes outside Hong Kong *(continued)*

Oriental City Group (Hainan) Services Limited ("OCG China"), is subject to the PRC enterprise income tax at 25% since year 2012. However, no income tax has been provided as OCG China incurred losses for taxation purposes during the periods ended 30 June 2013 and 2012.

Dividends payable by a foreign invested enterprise in the PRC or Thailand to its foreign investors are subject to a 10% withholding tax, unless any foreign investor's jurisdiction of incorporation has a tax treaty with the PRC or Thailand that provides for a different withholding arrangement.

6. DIVIDEND

The Board does not recommend the payment of an interim dividend for the three months ended 30 June 2013 (2012: Nil).

7. LOSS PER SHARE

Basic loss per share for the three months ended 30 June 2013 is calculated based on the unaudited consolidated loss for the period attributable to the equity holders of the Company of HK\$8,358 (2012: HK\$444,271) and on the weighted average number of 600,000,000 ordinary shares (2012: 600,000,000 ordinary shares) in issue during the period.

Diluted loss per share is the same as basic loss per share as the effect of potential ordinary shares is anti-dilutive during the period ended 30 June 2013 and there was no potential ordinary shares outstanding during the period ended 30 June 2012.

8. MOVEMENT OF EQUITY

	Attributable to equity holders of the Company									Total equity HK\$
	Share capital HK\$	Share premium HK\$	Capital reserve HK\$	Exchange reserve HK\$	Statutory reserve HK\$	Share option reserve HK\$	Accumulated losses HK\$	Total HK\$	Non- controlling interests HK\$	
	<Remark 1>									
For the three months ended 30 June 2013										
At 1 April 2013 (audited)	6,000,000	14,558,608	6,996,322	421,311	766,101	928,417	(13,428,372)	16,242,387	2,228,996	18,471,383
Profit for the period	-	-	-	-	-	-	(8,358)	(8,358)	3,235,210	3,226,852
Other comprehensive loss:										
Exchange difference on translation of foreign subsidiaries	-	-	-	(732,388)	-	-	-	(732,388)	(145,520)	(877,908)
Total comprehensive income for the period	-	-	-	(732,388)	-	-	(8,358)	(740,746)	3,089,690	2,348,944
Recognition of equity-settled share-based payment expenses	-	-	-	-	-	214,250	-	214,250	-	214,250
Disposal of equity interest in a subsidiary <Remark 2>	-	-	7,137,517	-	-	-	-	7,137,517	2,862,483	10,000,000
Dividend paid to non-controlling interests of a non-wholly owned subsidiary	-	-	-	-	-	-	-	-	(1,059,869)	(1,059,869)
At 30 June 2013 (unaudited)	6,000,000	14,558,608	14,133,839	(311,077)	766,101	1,142,667	(13,436,730)	22,853,408	7,121,300	29,974,708
For the three months ended 30 June 2012										
At 1 April 2012 (audited)	6,000,000	14,558,608	6,996,322	(248,891)	-	-	(12,162,413)	15,143,626	1,667,718	16,811,344
Profit for the period	-	-	-	-	-	-	(444,271)	(444,271)	551,855	107,584
Other comprehensive loss:										
Exchange difference on translation of foreign subsidiaries	-	-	-	(55,863)	-	-	-	(55,863)	(52,345)	(108,208)
Total comprehensive loss for the period	-	-	-	(55,863)	-	-	(444,271)	(500,134)	499,510	(624)
Transfer to statutory reserve	-	-	-	-	766,101	-	(766,101)	-	-	-
At 30 June 2012 (unaudited)	6,000,000	14,558,608	6,996,322	(304,754)	766,101	-	(13,372,785)	14,643,492	2,167,228	16,810,720

8. **MOVEMENT OF EQUITY** *(continued)*

<Remark 1>

In accordance with the relevant laws and regulations in Thailand, OCG Thailand is required to appropriate not less than 5% of its net profit to the statutory reserve upon each dividend distribution, until the statutory reserve reaches 10% of its registered authorised capital. The statutory reserve is not available for dividend distribution.

<Remark 2>

In March 2013, the Group entered into a sale and purchase agreement with two purchasers for the disposal of the Group's 30% equity interest in Oriental City Group Thailand Limited ("OCG Thailand (BVI)"), a wholly owned subsidiary, with an aggregate consideration of HK\$10 million (the "Disposal"). The Disposal was approved in an extraordinary general meeting of the Company held on 10 May 2013. Upon the completion of the Disposal on 15 May 2013, OCG Thailand (BVI) becomes a non-wholly owned subsidiary of the Group and its financial position and results are continued to be consolidated by the Group. A gain of approximately HK\$7.1 million is recognised directly in equity upon the completion of the Disposal.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Card acceptance business in Thailand remained to be the major income stream of the Group. Continued to be benefited from the growth in the Chinese tourists visiting Thailand during the three months ended 30 June 2013 (the "Review Period"), transaction volume handled by the Group has been increased from Thai Baht ("Baht") 2,132 million for the three months ended 30 June 2012 to Baht 7,277 million for the Review Period. Consequently, the Group's revenue and gross profit for the Review Period were increased by approximately 245% and approximately 218% respectively to approximately HK\$32.48 million and approximately HK\$9.90 million for the Review Period respectively.

In March 2013, the Group has entered into a sale and purchase agreement with two purchasers for the disposal of 30% of its equity interest in Oriental City Group Thailand Limited ("OCG Thailand (BVI)"), a wholly owned subsidiary of the Group. The Directors expect that the disposal could enable the Group to better utilise its resources to pursue business with growth potential when opportunities arise. Such transaction was approved by an ordinary resolution passed in the extraordinary general meeting of the Company held on 10 May 2013. Upon the completion of the disposal on 15 May 2013, OCG Thailand (BVI) becomes a non-wholly owned subsidiary of the Group.

Business Outlook

The Group is negotiating for the acquisition of the equity interest of a target company which, together with its subsidiary, is principally engaged in the payment card business in the PRC. The Directors consider that this possible acquisition will be in line with the business strategy of the Group and will enhance its profitability and thereby increase the value of the Company.

Further, the Group will continue to seek new opportunities aiming to broaden the revenue base and enhance the profitability of the Group and therefore to increase the value of the Company.



Financial Review

The Group has a substantial growth of revenue for the Review Period. The Group's revenue for the Review Period amounted to approximately HK\$32.48 million, representing an increase of approximately HK\$23.07 million or approximately 245% from the corresponding period in last year.

The gross profit for the Review Period was approximately HK\$9.90 million, representing an increase of approximately 218% from the corresponding period in last year. Gross profit margins for the period ended 30 June 2013 and 30 June 2012 were 30% and 33% respectively.

The general administrative expenses of the Group during the Review Period were approximately HK\$4.55 million, representing an increase of approximately 111% from the corresponding period in last year. The increase was mainly attributable to an increase in the office expenses in Thailand, the overall staff costs, including the recognition of equity-settled share based payment expenses and directors' remuneration, and the legal and professional fee of the Group during the Review Period.

The selling and distribution costs during the Review Period amounted to approximately HK\$0.22 million, which were similar to the record of the corresponding period in last year.

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

As at 30 June 2013, the interests of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) 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 were required pursuant to section 352 of the SFO, to be entered in the register referred to therein, or were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

(a) **Long position in ordinary shares of HK\$0.01 each of the Company ("Shares")**

Name	Capacity	Number of Shares	Percentage of shareholding
Mr. Cheng Nga Ming Vincent ("Mr. Cheng")	Corporate – Interest of controlled corporation (Note)	243,000,000	40.5%
	Beneficial owner	27,000,000	4.5%

Note: These Shares were held by Tian Li Holdings Limited ("Tian Li") which in turn is owned as to 70% and 30% by Mr. Cheng and Ms. Cheng Nga Yee ("Ms Cheng") respectively. Ms. Cheng is the sister of Mr. Cheng. As Mr. Cheng is the controlling shareholder of Tian Li, he is deemed to be interested in the 243,000,000 Shares held by Tian Li under the SFO.

(b) Associated corporations

As at 30 June 2013, Ms. Cheng held 30% equity interests in Tian Li.

Save as disclosed above, as at 30 June 2013, so far as is known to any of the Directors or the chief executive of the Company, none of the Directors or the chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or 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 were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

On 7 September 2012, options of 6,000,000 shares (the "Share Options") were granted to Mr. Zhang Huaqiao, a non-executive director of the Company appointed on the same date, under the Company's share option scheme to subscribe the Company's ordinary shares at the exercise price of HK\$0.84. The validity period of the Share Options was five years from 7 September 2012. 2,000,000 Share Options have been vested on 6 March 2013, and 2,000,000 Share Options each will be vested on 6 March 2014 and 6 March 2015 respectively.

Save as disclosed above, at no time during the Review Period, the Directors and the chief executive of the Company (including their spouse and children under 18 years of age) had any interest in, or had been granted, or exercised, any rights to subscribe for shares (or warrants or debentures, if applicable) of the Company and/or its associated corporations (within the meaning of the SFO).

Save as disclosed above and in the share option scheme of the Company, at no time during the Review Period was the Company, any of its subsidiaries, its associated companies, its fellow subsidiaries or its holding companies a party to any arrangements to enable the Directors or the chief executive of the Company to hold any interests or short positions in the shares or underlying shares in, or debentures of, the Company and/or its associated corporations (within the meaning of the SFO).

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES DISCLOSEABLE UNDER THE SFO

As at 30 June 2013, so far as is known to the Directors, the following persons (other than a Director or a chief executive of the Company) had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under Section 336 of the SFO:

The Company

Long positions in Shares

Name	Capacity	Number of Shares	Percentage of shareholding
Tian Li	Beneficial owner	243,000,000	40.5%

Note: Tian Li is a company owned as to 70% and 30% by Mr. Cheng and Ms. Cheng respectively. Ms. Cheng is the sister of Mr. Cheng. As Mr. Cheng is the controlling shareholder of Tian Li, he is deemed to be interested in the 243,000,000 Shares held by Tian Li under the SFO. Mr. Cheng is a director of Tian Li.

Save as disclosed above, as at 30 June 2013, according to the register of interests required to be kept by the Company under Section 336 of the SFO, there was no person who had any interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.



COMPETING INTERESTS

During the Review Period, none of the Directors or the controlling shareholders of the Company or their respective associates (as defined in the GEM Listing Rules) had an interest in any business which competes or may competes, either directly or indirectly, with the business of the Group nor any conflicts of interest which has or may have with the Group.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the Review Period.

CORPORATE GOVERNANCE CODE

In the opinion of the Directors, the Company has complied with all the code provisions as set out in Appendix 15 to the GEM Listing Rules during the Review Period, except the code provision A.2.1 which requires that the roles of chairman and chief executive officer ("CEO") should be separate and should not be performed by the same individual. Mr. Cheng is the chairman and responsible for the duties of the CEO of the Company. Mr. Cheng has about 17 years of experience in financial sector. The Board considers that vesting the roles of chairman and CEO in Mr. Cheng provided the Group with consistent leadership in the development and execution of long-term business strategies. However, the Board will continue to review the effectiveness of the corporate governance structure of the Group in order to assess whether separation of the roles of the chairman and CEO is necessary.

Besides, the Company established an internal control committee and a compliance committee on 14 August 2009 to ensure the Group's proper and appropriate control and the compliance with the applicable rules and regulations. These two committees will meet on a quarterly basis.




CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the required standard of dealings as set out in Rules 5.46 to 5.67 of the GEM Listing Rules as the code of conduct regarding the Directors' securities transactions in securities of the Company. Having made specific enquiry of all Directors, each of the Directors has confirmed that he/she has complied with the required standard of dealings as set out in the adopted code of conduct regarding Directors' securities transactions from 1 April 2013 to 30 June 2013.

AUDIT COMMITTEE

The Company has established an audit committee (the "Audit Committee") with written terms of reference in compliance with the GEM Listing Rules. The Audit Committee comprises Mr. Chan Chun Wai (resigned on 2 August 2013), Mr. Lee Kin Fai, Mr. Chow King Lok and Mr. Lu Dongcheng (appointed on 2 August 2013), all of whom are independent non-executive Directors. Mr. Chan Chun Wai has been the chairman of the Audit Committee until 2 August 2013. On the same date, Mr. Lee Kin Fai was appointed as the chairman of the Audit Committee in replacement of Mr. Chan Chun Wai.

The primary responsibilities of the Audit Committee are (i) to review the annual report and accounts, half yearly reports and quarterly reports and provide advice, comments thereon to the Board and (ii) to review and supervise the financial reporting process and internal control system of the Group.



The Group's unaudited quarterly results for the three months ended 30 June 2013 have been reviewed by the Audit Committee, which was of the opinion that such results complied with the applicable accounting standards, the GEM Listing Rules and legal requirements, and that adequate disclosures had been made.

On behalf of the Board
Cheng Nga Ming Vincent
Chairman

Hong Kong, 9 August 2013

As at the date of this report, the Board of Directors of the Company comprises two executive Directors, namely Mr. Cheng Nga Ming Vincent and Ms. Cheng Nga Yee, one non-executive Director, namely Mr. Zhang Huaqiao and four independent non-executive Directors, namely Mr. Lee Kin Fai, Mr. Chow King Lok, Mr. Wang Yiming and Mr. Lu Dongcheng.