

Fairson Holdings Limited 鈺皓控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8132

First Quarterly Report 2013



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The Report, for which the directors (the “Directors”) of Fairson 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 the 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 the Report misleading.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

For the three months ended 30 June 2013 (the "Financial Period"), the turnover of the Company and its subsidiaries (together the "Group") was approximately HK\$42.8 million, representing a decrease of approximately 6.35% from approximately HK\$45.7 million for the three months ended 30 June 2012 (the "Previous Corresponding Period"). The decrease in the turnover was mainly due to discontinued operation in the copper wires business since late September 2012. For the Financial Period, the loss of the Group attributable to owners of the Company was approximately HK\$0.3 million, representing a decrease compared to the loss for the Previous Corresponding Period of approximately HK\$2.8 million. Such decrease in loss was mainly due to 70% share of the non-recurrent loss incurred for the discontinued operation of the copper wires business of approximately HK\$2 million in the Previous Corresponding Period.

The board of Directors (the "Board") does not recommend the payment of dividend for the Financial Period.

Business Review

For the Financial Period, the Group's turnover of its key product groups in continuing operations, including (i) power cords and inlet sockets for household electric appliances; (ii) power and data cords for mobile handsets and medical control devices; and (iii) raw cables; accounted for approximately 24%, 76%, and 0% (2012: approximately 18%, 59%, and 1%) of the total turnover of the Group, respectively. The turnover of discontinued operation in the copper wires business, accounted for approximately 20% of the total turnover of the Group for the Previous Corresponding Period.

Turnover arising from the Hong Kong and the People's Republic of China (the "PRC") markets continued to be the key contributors to the Group, representing approximately 66% (2012: approximately 87%) of the total turnover of the Group for the Financial Period. The remaining turnover of approximately 34% (2012: approximately 13%) for the Financial Period was contributed from other overseas markets, including the United States.

The Group continued to implement its growth strategy in the PRC market and actively expanded its overseas market. Benefiting from the rapid development of the telecommunications and smartphone industry, the Group seized the business opportunities in manufacturing power and data cords and has been recognised by various mobile handset providers.

Power cords and inlet sockets for household electric appliances

For the Financial Period, the Group's turnover from power cords and inlet sockets for household electric appliances was approximately HK\$10.4 million (2012: approximately HK\$8.1 million), representing an increase of approximately 28% from the Previous Corresponding Period, which accounted for approximately 24% (2012: approximately 18%) of the total turnover of the Group.

The Group's power cords and inlet sockets used in household electric appliances received safety approvals and/or certificates in many countries, many of which also received eleven types of international safety standards. The Group believes that the high standard of these products can fulfill the expectations and requirements of customers and benefit the Group's business expansion in the long run.

Power and data cords for mobile handsets and medical control devices

For the Financial Period, the Group's turnover from power and data cords for mobile handsets was approximately HK\$24.6 million (2012: approximately HK\$22.1 million), representing an increase of approximately 11% from the Previous Corresponding Period, and it accounted for approximately 58% (2012: approximately 48%) of the total turnover of the Group.

The power and data cords for mobile handsets are generally used for power charging and data transfer and are essential accessories for all mobile handsets. The enormous demand for telecommunications devices, especially in the PRC, facilitated the Group to produce the power and data cords of different specifications, including high speed USB connectors and data cord products, which can support higher data transmission speeds and better audiovisual output quality. All our devices conform with the standards of mobile handset designs set by USB Implementers Forum, Inc.

For the Financial Period, the Group's turnover from power and data cords for medical control devices was approximately HK\$7.9 million (2012: approximately HK\$5 million), representing an increase of approximately 58% from the Previous Corresponding Period, and it accounted for approximately 18% (2012: approximately 11%) of the total turnover of the Group. The substantial increase was mainly contributed by the new products for the keyboards of medical control devices.

The power and data cords for medical control devices are multi-functional products which are mainly exported to a customer in the United States. The devices are then used for further assembly and processed into final products (which include keyboards, pillow speakers, bed controls, bed cables and call cords to be sold to hospitals and clinics).

Raw cables

For the Previous Corresponding Period, the Group's turnover from raw cables was approximately HK\$0.5 million, and it accounted for approximately 1% of the total turnover of the Group. For the Financial Period, the Group manufactured the raw cables for production into the finished goods of power and data cords for mobile handsets so that the Group had no third-party turnover from raw cables generated in the Financial Period. The Group mainly concentrated on integrated products with connectors rather than 2-pin raw cables. The Group's raw cables business use halogen-free insulation materials as they are more environmental friendly and are able to adapt to the changing needs and requirements of the market.

Copper wires

For the Previous Corresponding Period, turnover from copper wires was approximately HK\$9.3 million, and it accounted for approximately 20% of the total turnover of the Group. As the Group incurred significant continuous operating losses since the inception of the business, the Group ceased its operation of copper wires since late September 2012 and subsequently disposed of the subsidiaries engaging in this business in March 2013. Since then, the results, assets and liabilities and cash flows of these deconsolidated subsidiaries ceased to be consolidated to the Group.

Potential Acquisition Activities

On 24 April 2013, the Company entered into a memorandum of understanding with an independent third party in relation to the proposed acquisition of 51% equity interest of United Success Global Limited and its subsidiaries (the "Proposed Acquisition"), which is engaged in the provision of client solutions for arranging financial leasing services in the areas of, amongst others, telecommunication, broadcasting and medical equipment business in the PRC. The Proposed Acquisition represents a good opportunity for the Company to diversify its business into the financial leasing industry in the PRC. The Group is actively exploring business opportunities in other sectors to diversify risks and broaden the source of income of the Group.

Outlook

The Group shall focus on capturing the abundant opportunities and demand for power and data cords for mobile handsets coming along with the industry boom. According to the statistics from the Ministry of Industry and Information Technology of the PRC, the PRC telecommunications industry is growing at a steady pace while the number of mobile phone users in PRC has reached 1.165 billion by May 2013. Meanwhile, the continuous development and advancement of telecommunication brings in more 3G mobile service users in the PRC, which has reached 300 million by May 2013. Accordingly, the Group shall fully utilise the production and sales capability in order to fulfil the vast market needs.

Looking ahead, the Group is optimistic about the macroeconomic environment. It is expected to see an upward trend of market demand for mobile handsets and the Group shall adopt a moderate marketing strategy to capture potential business opportunities. A balanced and steady development of the existing businesses would be maintained, including (i) power cords and inlet sockets for household electric appliances, and (ii) power and data cords for mobile handsets and medical control devices, so as to maximize the profitability of the Group. In the future, the Group will continue to actively explore business opportunities in other sectors to diversify risks and broaden the source of income of the Group.

Financial Review, Capital Structure and Fundraising Activities

On 26 April 2013, the Company entered into a placing agreement with Yuanta Securities (Hong Kong) Company Limited to procure not less than six placees to subscribe up to 110,000,000 ordinary shares of HK\$0.001 each in the share capital of the Company at the placing price of HK\$0.12 per placing share. The placing of 110,000,000 ordinary shares of HK\$0.001 each by the Company was completed and accordingly announced on 4 July 2013. The total net proceeds from this placing is approximately HK\$12.86 million, which will be used as general working capital and/or for financing future investment opportunities of the Group.

On 12 July 2013, the Company issued a non-transferrable promissory note at the aggregate principal amount of HK\$5 million to Ms. Yan Hui Juan which is due on 11 July 2014, carrying an interest of 10% per annum payable at 2 intervals, namely, on the expiry of 6 months from the date of issue of the promissory note and on the maturity date of promissory note. The total net proceeds of HK\$5 million from the above issuance of non-transferrable promissory note will be used as general working capital and/or financing future investment opportunities of the Group.

On 2 August 2013, the Company entered into a placing agreement with Huatai Financial Holdings (Hong Kong) Limited to procure not less than six placees to subscribe up to 66,000,000 ordinary shares of HK\$0.001 each in the share capital of the Company at the placing price of HK\$1.36 per placing share. The expected total net proceeds of approximately HK\$88.9 million will be used as general working capital and/or for financing future investment opportunities of the Group.

On 31 May 2013, the Company entered into a placing agreement with ChangJiang Securities Brokerage (HK) Limited ("ChangJiang Securities") to procure the placees to subscribe for the 10% transferrable promissory notes up to the aggregate principal amount of HK\$50 million. Until 8 August 2013, the Company has issued such transferrable promissory notes at the aggregate principal amount of HK\$17.58 million and ChangJiang Securities would further procure the subscription until the long stop date of the placing on 30 August 2013. If the above placing of transferrable promissory notes are fully subscribed, the expected total net proceeds of approximately HK\$49.5 million will be used as general working capital and/or for financing future investment opportunities of the Group.

FIRST QUARTERLY UNAUDITED RESULTS

The Board is pleased to announce the unaudited consolidated results of the Group for the Financial Period together with the comparative unaudited figures for the Previous Corresponding Period as follows:

UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months ended 30 June 2013

	Note	2013 HK\$	2012 HK\$
Continuing operations			
Turnover	2	42,838,111	36,375,328
Cost of sales		(34,363,464)	(30,734,223)
Gross profit		8,474,647	5,641,105
Other (losses)/gains – net	3	(226,670)	225,816
Selling expenses		(1,615,653)	(953,688)
Administrative expenses		(6,597,956)	(6,008,258)
Operating profit/(loss)		34,368	(1,095,025)
Finance income		3,281	5,633
Finance costs		(83,330)	(233,835)
Loss before income tax		(45,681)	(1,323,227)
Income tax expense	4	(206,501)	(133,962)
Loss for the period from continuing operations		(252,182)	(1,457,189)
Discontinued operation			
Loss for the period from discontinued operation	5	–	(1,963,005)
Loss for the period		(252,182)	(3,420,194)
Other comprehensive income:			
Currency translation differences		127,881	–
Total comprehensive loss for the period		(124,301)	(3,420,194)
Loss for the period attributable to:			
Owners of the Company			
Loss from continuing operations		(252,182)	(1,457,189)
Loss from discontinued operation		–	(1,374,104)
Loss attributable to owners of the Company		(252,182)	(2,831,293)
Loss from discontinued operation attributable to non-controlling interests		–	(588,901)
		(252,182)	(3,420,194)

	Note	2013 HK\$	2012 HK\$
Total comprehensive loss for the period attributable to:			
Owners of the Company			
Total comprehensive loss from continuing operations		(124,301)	(1,457,189)
Total comprehensive loss from discontinued operation		-	(1,374,104)
Total comprehensive loss attributable to owners of the Company		(124,301)	(2,831,293)
Total comprehensive loss from discontinued operation attributable to non-controlling interests		-	(588,901)
		(124,301)	(3,420,194)
Loss per share attributable to owners of the Company during the period (expressed in HK cents per share)			
- Basic and diluted	6		
From continuing operations		(0.05)	(0.26)
From discontinued operation		-	(0.25)
		(0.05)	(0.51)
Dividend	7	-	-

NOTES TO THE FIRST QUARTERLY UNAUDITED RESULTS

1. BASIS OF PREPARATION

The first quarterly unaudited consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong which include Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations (collectively, "HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the applicable disclosures required by the GEM Listing Rules. The principal accounting policies used in the first quarterly unaudited consolidated financial statements are consistent with those adopted in the preparation of the Group's consolidated financial statements for the year ended 31 March 2013.

The HKICPA has issued a number of new and revised HKFRSs. For those which are relevant to the Group's operations and effective for its accounting period beginning on 1 April 2013, the adoption has no significant changes on the Group's accounting policies, the presentation, the reported results and the financial position of the Group for the current or prior accounting periods.

The Group has not applied the new and revised HKFRSs which have been issued but are not yet effective. The Group is currently in the process of making an assessment of the impact of these new and revised HKFRSs but is not yet in a position to state whether they would have a material impact on the Group's results and financial position.

2. TURNOVER

	2013 HK\$	2012 HK\$
Continuing operations		
Power cords and inlet sockets for household electric appliances	10,377,723	8,104,824
Power and data cords for mobile handset and medical control devices	32,460,388	27,094,958
Raw cables	-	514,706
Others	-	660,840
	42,838,111	36,375,328
Discontinued operation		
Copper wires	-	9,290,078
Total continuing and discontinued operations	42,838,111	45,665,406

3. OTHER (LOSSES)/GAINS – NET

	2013 HK\$	2012 HK\$
Continuing operations		
Foreign exchange (loss)/gain – net	(277,002)	12,300
Sundry income	50,332	213,516
	(226,670)	225,816
Discontinued operation		
Foreign exchange loss – net	–	(7,576)
Total continuing and discontinued operations	(226,670)	218,240

4. INCOME TAX EXPENSE

Hong Kong Profits Tax has been provided at the rate of 16.5% on the estimated assessable profits for the Financial Period (2012: 16.5%). As the hi-tech enterprise qualification license in the PRC was granted to the Group's PRC subsidiary in November 2012, it would get the tax incentive for the PRC corporate income tax of 15% for the financial periods from 1 January 2012 to 31 December 2014. This PRC subsidiary is provided for the PRC corporate income tax at the rate of 15% for the Financial Period (2012: 25%). The Group's other PRC subsidiary is subject to the PRC corporate income tax at the rate of 25%.

5. DISCONTINUED OPERATION

As the Group incurred significant continuous operating losses in the copper wires business since the inception of the business, the Group ceased its operation since late September 2012 and subsequently disposed of the subsidiaries engaging in this business in March 2013.

The results of the discontinued operation related to copper wires business for the Previous Corresponding Period, which have been included in the consolidated profit or loss, are set out below.

	2012 HK\$
Turnover	9,290,078
Cost of sales	(10,217,407)
Gross loss	(927,329)
Other losses – net	(7,576)
Selling expenses	(93,269)
Administrative expenses	(936,015)
Operating loss	(1,964,189)
Finance income	1,184
Loss for the period from discontinued operation	(1,963,005)

6. LOSS PER SHARE

(a) Basic

For continuing and discontinued operations – Basic

Basic loss per share is calculated by dividing the loss attributable to owners of the Company of HK\$252,182 (2012: HK\$2,831,293) by the weighted average number of ordinary shares of 550,000,000 (2012: 550,000,000) in issue for the Financial Period.

For continuing operations – Basic

Basic loss per share for continuing operations is calculated by dividing the loss attributable to owners of the Company from continuing operations of HK\$252,182 (2012: HK\$1,457,189) by the weighted average number of ordinary shares of 550,000,000 (2012: 550,000,000) in issue for the Financial Period.

For discontinued operation – Basic

Basic loss per share for discontinued operation is calculated by dividing the loss attributable to owners of the Company from discontinued operation of HK\$1,374,104 by the weighted average number of ordinary shares of 550,000,000 in issue for the Previous Corresponding Period.

(b) Diluted

No diluted earnings/(loss) per share is presented as the Company did not have any dilutive potential ordinary shares outstanding for the Financial Period (2012: Nil).

7. DIVIDEND

No dividend had been paid or declared by the Company for the Financial Period (2012: Nil).

8. RESERVES

	(Unaudited)								
	Attributable to owners of the Company							Non-controlling interests	Total
	Share capital	Share premium	Statutory reserve	Other reserve	Translation reserve	Retained earnings	Total		
HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	
Balance at 1 April 2012	550,000	29,530,415	2,502,035	(191,847)	200,868	30,992,939	63,584,410	835,376	64,419,786
Loss and total comprehensive loss for the period	-	-	-	-	-	(2,831,293)	(2,831,293)	(588,901)	(3,420,194)
Transfer to statutory reserve	-	-	81,845	-	-	(81,845)	-	-	-
Balance at 30 June 2012	550,000	29,530,415	2,583,880	(191,847)	200,868	28,079,801	60,753,117	246,475	60,999,592
Balance at 1 April 2013	550,000	29,530,415	2,894,655	-	82,538	20,897,395	53,955,003	-	53,955,003
Loss for the period	-	-	-	-	-	(252,182)	(252,182)	-	(252,182)
Other comprehensive income:									
Currency translation differences	-	-	-	-	127,881	-	127,881	-	127,881
Total comprehensive loss for the period	-	-	-	-	127,881	(252,182)	(124,301)	-	(124,301)
Transfer to statutory reserve	-	-	91,031	-	-	(91,031)	-	-	-
Balance at 30 June 2013	550,000	29,530,415	2,985,686	-	210,419	20,554,182	53,830,702	-	53,830,702

9. CAPITAL COMMITMENTS

The Group's capital commitments for property, plant and equipment contracted but not provided for amounted to approximately HK\$387,000 (unaudited) at 30 June 2013 (31 March 2013: approximately HK\$527,000 (audited)).

10. CONTINGENT LIABILITIES

The Group had no significant contingent liabilities at 30 June 2013 and 31 March 2013.

11. EVENTS AFTER THE REPORTING DATE

On 26 April 2013, the Company entered into a placing agreement with Yuanta Securities (Hong Kong) Company Limited to procure not less than six placees to subscribe up to 110,000,000 ordinary shares of HK\$0.001 each in the share capital of the Company at the placing price of HK\$0.12 per placing share. The placing of 110,000,000 ordinary shares of HK\$0.001 each by the Company was completed and accordingly announced on 4 July 2013.

On 12 July 2013, the Company issued a non-transferrable promissory note at the aggregate principal amount of HK\$5 million to Ms. Yan Hui Juan which is due on 11 July 2014, carrying an interest of 10% per annum payable at 2 intervals, namely, on the expiry of 6 months from the date of issue of the promissory note and on the maturity date of promissory note. The total net proceeds of HK\$5 million from the above issuance of non-transferrable promissory note will be used as general working capital and/or financing future investment opportunities of the Group.

On 2 August 2013, the Company entered into a placing agreement with Huatai Financial Holdings (Hong Kong) Limited to procure not less than six placees to subscribe up to 66,000,000 ordinary shares of HK\$0.001 each in the share capital of the Company at the placing price of HK\$1.36 per placing share. The expected total net proceeds of approximately HK\$88.9 million will be used as general working capital and/or for financing future investment opportunities of the Group.

On 31 May 2013, the Company entered into a placing agreement with ChangJiang Securities to procure the placees to subscribe for the 10% transferrable promissory notes up to the aggregate principal amount of HK\$50 million. Until 8 August 2013, the Company has issued such transferrable promissory notes at the aggregate principal amount of HK\$17.58 million and ChangJiang Securities would further procure the subscription until the long stop date of the placing on 30 August 2013. If the above placing of transferrable promissory notes are fully subscribed, the expected total net proceeds of approximately HK\$49.5 million will be used as general working capital and/or for financing future investment opportunities of the Group.

COMPETING BUSINESS

Neither of the Directors, the compliance adviser and the substantial shareholders of the Company nor their respective associates (as defined in the GEM Listing Rules) is or was interested in any business apart from the Group's business, that competes or competed or is or was likely to compete, either directly or indirectly, with the Group's business at any time during the Financial Period.

DIRECTORS' INTERESTS IN SHARES

As at 30 June 2013, the interests or short positions of the Directors, chief executives of the Company or their associates in the shares, underlying shares or 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 are or were required to be entered in the register kept by the Company pursuant to section 352 of the SFO, or as 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 the Directors are as follows:

(i) Long position in the Shares

Name of Director	Capacity/Nature of interest	Number of Shares held	Percentage of shareholding in the Company
Mr. Yeung Tin Hung	Interest in a controlled corporation	385,000,000	70%

(ii) Interest in associated corporation of the Company

Name of Director	Name of associated corporation	Capacity/Nature of interest	Number of securities held	Percentage of shareholding in the Company
Mr. Yeung Tin Hung	Race Champion Holdings Limited	Interest in a controlled corporation	2 shares	100%

Saved as disclosed above, as at 30 June 2013, none of the Directors, chief executives of the Company nor their associates had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under the provision of the SFO), or which were required to be entered in the register kept by the Company pursuant to section 352 of the SFO, or as 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 the Directors.

SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

So far as the Directors are aware, as at 30 June 2013, the following entities or persons (not being a Director or chief executive of the Company) had an interest and short position of 5% or more in the Shares and underlying shares of the Company which would fall to be disclosed to the Company under the provision of Division 2 and 3 of Part XV of the SFO, or which are required to be disclosed pursuant to section 336 of the SFO:

Long positions in the Shares

Name of Shareholder	Capacity/Nature of interest	Number of Shares held	Percentage of shareholding in the Company
Race Champion Holdings Limited	Interest in a controlled corporation	385,000,000	70%
Fairson Holdings (BVI) Limited	Registered owner	385,000,000	70%

SHARE OPTION SCHEME

The Company has a share option scheme (the "Scheme") which was adopted pursuant to a resolution of the sole Shareholder passed on 27 April 2011. The purpose of the Scheme is to attract, retain and motivate talented participants to strive for future developments and expansion of the Group. The Scheme shall be an incentive to encourage the participants to perform their best in achieving the goals of the Group and allow the participants to enjoy the results of the Group attained through their efforts and contributions.

The Scheme became effective on 27 April 2011 and, unless otherwise cancelled or amended, will remain in force for 10 years from the adoption of the Scheme. The terms of the Scheme are in compliance with the provisions of Chapter 23 of the GEM Listing Rules.

As at the date of the Report, the Company had not granted any option to the participants under the Scheme and there were no outstanding share options under the Scheme.

INTERESTS OF OTHER PERSONS

So far as is known to any Directors or chief executive of the Company, as at 30 June 2013, no person other than the Directors and substantial shareholders of the Company, whose interests are set out above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to section 336 of the SFO.

AUDIT COMMITTEE

The Company established an audit committee on 27 April 2011 with written terms of reference in compliance with rules 5.28 to 5.29 of the GEM Listing Rules. The audit committee currently comprises four independent non-executive Directors. The audit committee has reviewed the first quarterly unaudited consolidated results of the Group for the Financial Period.

INTERESTS OF THE COMPLIANCE ADVISER

As notified by Quam Capital Limited (“Quam”), the compliance adviser of the Company, neither Quam nor any of its directors, employees or associates (as referred to in rule 6A.32 of the GEM Listing Rules) had any interests in the securities of the Company, or any rights to subscribe for or to nominate persons to subscribe for the securities of the Company as at 30 June 2013. Pursuant to the compliance advisory agreement dated 6 May 2011 entered into between Quam and the Company, Quam has received and will receive fees for acting as the compliance adviser of the Company.

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

Neither the Company nor any of its subsidiaries had purchased, sold, or redeemed any of the listed securities of the Company during the Financial Period.

By order of the Board
Yeung Tin Hung
Chairman

Hong Kong, 13 August 2013

As at the date of the Report, the executive Directors are Mr. Yeung Tin Hung, Mr. Yeung Shing Wai and Mr. Ho Chun Kit Gregory; the non-executive Director is Mr. Wong Chi Yung and the independent non-executive Directors are Mr. Li Hin Lung, Mr. Chua Hoon Chong, Mr. Chan Kai Wo and Ms. Eugenia Yang.