



**CHANCETON FINANCIAL GROUP LIMITED**

**川盟金融集團有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 8020)**



**2012 First Quarterly Report**

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

**GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.**

**Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.**

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*This report, for which the directors (the “Directors”) of Chanceton Financial Group 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: (1) the information contained in this report is accurate and complete in all material respects and not misleading or deceptive; and (2) there are no other matters the omission of which would make any statement herein or in this report misleading.*

## HIGHLIGHTS

- The Group experienced double-digit growth in terms of unaudited revenue and profit attributable to owners of the Company over the corresponding period in 2011.
- Unaudited revenue of the Group for the three months ended 30 June 2012 amounted to HK\$3,140,000, representing an increase of approximately 43.7% over the corresponding period in 2011.
- Consolidated profit attributable to owners of the Company for the three months ended 30 June 2012 was approximately HK\$1,407,000, representing an increase of approximately 39.3% over the corresponding period in 2011.
- Earnings per share of the Company for the three months ended 30 June 2012 was HK\$0.28 cents.
- The Directors do not recommend the payment of a dividend for the three months ended 30 June 2012.

## FIRST QUARTERLY RESULTS (UNAUDITED)

The board of Directors (the "Board") of Chanceton Financial Group Limited is pleased to present the unaudited condensed consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the three months ended 30 June 2012, together with the unaudited comparative figures for the three months ended 30 June 2011, as follows:

### CONDENSED CONSOLIDATED INCOME STATEMENT

For the three months ended 30 June 2012

		Three months ended 30 June	
		2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
	Notes		
Revenue	3	3,140	2,185
Other income and gains	3	62	93
Administrative and operating expenses		<u>(1,467)</u>	<u>(1,021)</u>
<b>Profit before income tax</b>	4	<b>1,735</b>	1,257
Income tax expenses	5	<u>(328)</u>	<u>(247)</u>
<b>Profit for the period attributable to owners of the Company</b>		<b><u>1,407</u></b>	<u>1,010</u>
<b>Earnings per share attributable to owners of the Company</b>	7		
– Basic and diluted (HK cents)		<b><u>0.28</u></b>	<u>0.27</u>

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months ended 30 June 2012

	Three months ended	
	30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
<b>Profit for the period</b>	<b>1,407</b>	1,010
Other comprehensive income for the period, net of tax	—	—
<b>Total comprehensive income for the period</b>	<b>1,407</b>	<b>1,010</b>
<b>Total comprehensive income for the period attributable to owners of the Company</b>	<b>1,407</b>	<b>1,010</b>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 30 June 2012

	Attributable to owners of the Company				Total equity HK\$ '000
	Share capital HK\$ '000	Share premium HK\$ '000	Other reserve HK\$ '000	Retained profits HK\$ '000	
At 1 April 2012 (audited)	5,000	29,456	529	7,699	42,684
Total comprehensive income for the period	–	–	–	1,407	1,407
At 30 June 2012 (unaudited)	<u>5,000</u>	<u>29,456</u>	<u>529</u>	<u>9,106</u>	<u>44,091</u>
At 1 April 2011 (audited)	530	–	–	11,616	12,146
Total comprehensive income for the period	–	–	–	1,010	1,010
Interim dividend paid	–	–	–	(6,000)	(6,000)
At 30 June 2011 (unaudited)	<u>530</u>	<u>–</u>	<u>–</u>	<u>6,626</u>	<u>7,156</u>

## **NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FIRST QUARTERLY RESULTS**

*For the three months ended 30 June 2012*

### **1. GENERAL INFORMATION**

The Company was incorporated in the Cayman Islands on 20 April 2011 as an exempted company with limited liability under the Companies Law (2010 Revision) of the Cayman Islands. The address of its registered office is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The address of its principal place of business is located at Unit A, 23/F, CMA Building, 64-66 Connaught Road Central, Hong Kong. The Company's shares were listed on the GEM of the Stock Exchange on 12 October 2011.

The Company is an investment holding company. The principal activities of its subsidiaries are provision of corporate finance advisory services mainly to listed and non-listed companies in Hong Kong and the People's Republic of China (the "PRC").

### **2. BASIS OF PRESENTATION AND PRINCIPAL ACCOUNTING POLICIES**

The Group's unaudited condensed consolidated first quarterly financial statements for the three months ended 30 June 2012 have been prepared in accordance with Hong Kong Accounting Standard issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the disclosure requirements of the GEM Listing Rules. The principal accounting policies used in the Group's unaudited condensed consolidated first quarterly financial statements are consistent with those adopted in the annual consolidated financial statements for the year ended 31 March 2012 and these unaudited condensed consolidated first quarterly financial statements should be read in conjunction with such annual consolidated financial statements.

The Group's unaudited condensed consolidated first quarterly financial statements for the three months ended 30 June 2012 have been prepared under the historical cost convention, except for certain financial assets and liabilities which have been measured at fair values. The Group's unaudited condensed consolidated first quarterly financial statements for the three months ended 30 June 2012 are presented in Hong Kong dollars ("HK\$") except when otherwise indicated. The Group has adopted new or revised standards, amendments to standards and interpretations of Hong Kong Financial Reporting Standards ("new HKFRSs") which are effective for accounting periods commencing on or after 1 April 2012. The adoption of such new HKFRSs does not have material impact on the condensed consolidated financial statements and does not result in substantial changes to the Group's accounting policies.

The 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, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents fees income received from corporate finance advisory services rendered during the period.

An analysis of revenue and other income and gains is as follows:

	Three months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
<b>Revenue</b>		
Corporate finance advisory income	<u>3,140</u>	<u>2,185</u>
	<b>3,140</b>	<b>2,185</b>
<b>Other income and gains</b>		
Management fee income	10	66
Others	<u>52</u>	<u>27</u>
	<b>62</b>	<b>93</b>

### 4. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging the following:

	Three months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
(a) Employee benefit expenses (including Directors' remuneration)		
– Wages, salaries, allowances and bonus	891	592
– Pension scheme contributions*	<u>30</u>	<u>22</u>
	<b>921</b>	<b>614</b>
(b) Depreciation	30	30
(c) Minimum lease payment under operating lease:		
– Property rental	<u>185</u>	<u>185</u>

\* As at 30 June 2012 and 2011, the Group had no forfeited contributions available to reduce its contributions to the pension scheme in future years.



## 5. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2011: 16.5%) for the three months ended 30 June 2012 and 2011.

	<b>Three months ended 30 June</b>	
	<b>2012</b>	2011
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Current tax	<b>328</b>	247

There was no significant unprovided deferred tax for the relevant periods and at the end of each reporting period.

## 6. DIVIDENDS

	<b>Three months ended 30 June</b>	
	<b>2012</b>	2011
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Interim dividends distributed by subsidiaries ( <i>Note</i> )	–	6,000

*Note:* The amount represented interim dividends declared and paid by the Company's subsidiaries to their then shareholder prior to the listing of the Company during the three months ended 30 June 2011. The dividend rate are not presented as such information is considered not meaningful for the purpose of the the Group's unaudited condensed consolidated first quarterly financial statements for the three months ended 30 June 2012.

The Board does not recommend the payment of any dividend for the three months ended 30 June 2012.

## 7. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of the basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

### Earnings

	Three months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Earnings attributable to the owners of the Company for the purpose of basic and diluted earnings per share	<u>1,407</u>	<u>1,010</u>

### Number of Shares

	Three months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	'000	'000
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share (Note)	<u>500,000</u>	<u>380,000</u>

*Note:* Diluted earnings per share is the same as basic earnings per share as there were no potential dilutive ordinary shares outstanding during the three months ended 30 June 2012 and 2011.

## 8. APPROVAL OF UNAUDITED CONDENSED CONSOLIDATED FIRST QUARTERLY FINANCIAL STATEMENTS

The unaudited condensed consolidated first quarterly financial statements were approved and authorised for issue by the Board on 13 August 2012.

## **DIVIDEND**

Prior to the listing of the Company on GEM of the Stock Exchange 12 October 2011 (the "Listing"), a subsidiary of the Company declared and paid an interim dividend of HK\$6 million on 9 May 2011, which were settled by internal resources of the subsidiary of the Company on the same day. The Board does not recommend the payment of a dividend for the three months ended 30 June 2012.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Business Review**

The Group is principally engaged in the provision of corporate finance advisory services mainly to listed and non-listed companies in Hong Kong and the PRC. The Group continues seeking to position itself as one of the active local corporate finance advisory service providers in Hong Kong. The Group provides a broad range of corporate finance advisory services to its clients, including:

- (i) advising on the The Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rule"), the GEM Listing Rules and The Codes on Takeovers and Mergers and Share Repurchases (the "Takeovers Code");
- (ii) acting as independent financial adviser to transactions of listed issuers falling under the Listing Rules, the GEM Listing Rules and the Takeovers Code;
- (iii) advising on merger(s) and acquisition(s) (the "M&A") activities and other corporate activities; and
- (iv) advising on corporate resumption.

During the period under review, the Group continued to focus on the provision of corporate finance advisory services to its clients. The Group also continued to maintain professional networks to facilitate new client referrals and client retention through business luncheons, dinners, cocktails and other social occasions, and involvement in various professional bodies and educational institutions. As a result of the continuous effort devoted by the Group in providing a wide range of quality professional services to its client and in marketing, despite the continuous unfavourable sentiment in the global economy and the volatile finance market in the first half of 2012, the Group recorded revenue of approximately HK\$3,140,000 for the three months ended 30 June 2012, representing an increase of approximately 43.7% when compared to the corresponding year in 2011. Profit attributable to owners of the Company for the three months ended 30 June 2012 was approximately HK\$1,407,000, representing an increase of approximately 39.3% when compared to the corresponding year in 2011.

The Company's Directors and management will continue to dedicate their best effort to lead the Group to strive for the best interests for its shareholders.

## **MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)**

### **Financial Review**

#### ***Results***

For the three months ended 30 June 2012, revenue of the Group increased by approximately 43.7% to approximately HK\$3,140,000 from approximately HK\$2,185,000 in the corresponding period in 2011.

The Group's administrative and operating expenses for the three months ended 30 June 2012 increased by approximately 43.7% to approximately HK\$1,467,000 compared to approximately HK\$1,021,000 for the corresponding period in 2011. The increase was mainly attributed to the increase in total employee benefit expenses and other administrative and operating expenses. During the period under review, the Group's total employee benefit expenses and other administrative and operating expenses were approximately HK\$921,000 and HK\$546,000 respectively (2011: approximately HK\$614,000 and HK\$407,000 respectively), representing an increase of approximately 50.0% and 34.1% respectively. The increase in total employee benefit expenses and other administrative and operating expenses were primarily due to the expansion of the Group and the incurrence of additional administrative and operating expenses and professional fees (including but not limited to, remuneration to independent non-executive Directors and compliance advisers fees) after the Listing in order to maintain the GEM listing status of the Company.

The Group's profit attributable to owners of the Company for the three months ended 30 June 2012 increased by approximately 39.3% to approximately HK\$1,407,000 compared to approximately HK\$1,010,000 for the corresponding period last year. Net profit margin for the three months ended 30 June 2012 was approximately 44.8%, representing a slight decrease of approximately 1.4% as compared to the three months ended 30 June 2011.

#### **FOREIGN EXCHANGE EXPOSURE**

The Group continues to adopt a conservative treasury policy with all bank deposits being kept in either Hong Kong dollars, keeping a minimum exposure to foreign exchange risks.

## **TREASURY POLICIES**

The Group adopts a conservative approach towards its treasury policies. The Group strives to reduce exposure to credit risk by performing ongoing credit evaluation of the financial conditions of its clients. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and commitments can meet its funding requirements.

## **PLEDGE OF ASSETS**

As at 30 June 2012, the Group did not pledge any of its assets (30 June 2011: nil) as securities for the banking facilities granted to the Group

## **EMPLOYEES AND REMUNERATION POLICIES**

As at 30 June 2012, the Group had 15 full-time employees (30 June 2011: 12 full-time employees), including the Directors. Total employee benefit expenses (including Directors' emoluments) were approximately HK\$921,000 for the three months ended 30 June 2012 as compared to approximately HK\$614,000 for the three months ended 30 June 2011. Remuneration is determined with reference to market terms and the performance, qualification and experience of individual employee. Year-end bonus based on individual performance will be paid to employees as recognition of and reward for their contributions. Other benefits include contributions to statutory mandatory provident fund scheme and medical benefit to its employees in Hong Kong. In addition, the Group adopted a share option scheme for eligible employees (including Directors) to provide incentives to participants for their contribution and continuing efforts to promote the interests of the Group.

## **OUTLOOK**

With our Listing behind us, we have embarked on our next phase of growth, armed with a new currency and a new set of valued-shareholders to run the next league of our journey with us. We are optimistic and see potential opportunities in the corporate finance advisory services industry. As stated in our prospectus dated 28 September 2011 (the "Prospectus"), we will continue to pursue our core business, that is, the provision of corporate finance advisory services mainly to listed and non-listed companies in Hong Kong and the PRC, and to strengthen it by enhancing technical competence, expanding the alliance network, improving public awareness, expanding the pre-initial public offering ("IPO") fundraising business for non-listed companies. The Group also will seek to increase value-added corporate financial services to listed and non-listed companies by conducting feasible studies on various services such as debt financing and IPO sponsoring. The Group will try to retain its existing clients by offering outstanding and competitive services and to obtain more new engagements from broadening of the client base, while maintaining its existing cost-effective business structure to stay competitive in the industry.

The Group believes that enlarging its range of services is crucial to its long-term success. The Group will implement the formulated expansion and action plans for two new financial service areas (namely equity capital market, with a focus on acting as an underwriter or placing agent in fund raising or other activities of its clients, and asset management) in the financial year ending 31 March 2013.

The Group is keen on project investment. After the creation of a cash reserve of HK\$2.5 million for project investment, the Group will continue to study feasible projects with good potential returns to contribute a maximum wealth to shareholders of the Company.

The Company's Directors and management will continue to dedicate their best effort to lead the Group to strive for the best interests for its shareholders.

## **SHARE OPTION SCHEME**

The Company has conditionally adopted the share option scheme (the "Scheme") on 21 September 2011 under which certain selected classes of participants (including, among others, full-time employees) may be granted options to subscribe for the Company's shares. The principal terms of the Scheme are summarised in the paragraph headed "Share Option Scheme" in Appendix V to the Prospectus.

From the adoption date of the Scheme to 30 June 2012, no share option was granted, exercised or lapsed under the Scheme.

## DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 30 June 2012, the interests and short positions of each Director and chief executive of the Company in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) ("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 or 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 referred to therein; or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by the Directors, to be notified to the Company and the Stock Exchange, were as follows:

### Long positions in the Company

Name of Director and chief executive	Capacity	Number of ordinary shares held	Number of underlying shares pursuant to share option	Aggregate Interests	Approximate percentage of shareholding in the Company
Mr. Wong Kam Wah	Interest held as beneficial owner and through controlled corporation	300,000,000 (Note)	–	300,000,000	60.00%
Ms. Man Wing Yee Ginny	Beneficial owner	47,510,000	–	47,510,000	9.50%

*Note:* These shares are registered in the name of Kate Glory Limited. Mr. Wong Kam Wah is the beneficial owner of 100% of the issued share capital of Kate Glory Limited. Mr. Wong Kam Wah is deemed to be interested in 300,000,000 shares of the Company held by Kate Glory Limited.

## **DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION (CONTINUED)**

Save as disclosed above, as at 30 June 2012, none of the Directors and chief executive of the Company had any other interests or short positions in any shares, underlying shares or debentures of the Company or its associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or 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 referred to therein; or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by the Directors, to be notified to the Company and the Stock Exchange.

### **SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES**

As at 30 June 2012, so far as was known to the Directors, the following persons/entities (other than the Directors or chief executive of the Company) had, or were deemed to have, interests or short positions 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 or which were recorded in the register required to be kept by the Company under Section 336 of the SFO, or who were directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any member of the Group were as follows:

#### **Long positions in the Company**

<b>Name of shareholders</b>	<b>Capacity</b>	<b>Number of ordinary shares held</b>	<b>Approximate percentage of shareholding in the Company</b>
Kate Glory Limited ( <i>Note</i> )	Beneficial owner	300,000,000	60.00%
Ms. Man Wing Yee Ginny	Beneficial owner	47,510,000	9.50%

*Note:* Kate Glory Limited is an investment holding company incorporated in the British Virgin Islands with limited liability, its entire issued share capital is wholly and beneficially owned by Mr. Wong Kam Wah.



## **SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES (CONTINUED)**

Save as disclosed above, as at 30 June 2012, the Directors were not aware of any other persons/entities (other than the Directors and chief executive of the Company) who had interests 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 or which were recorded in the register required to be kept by the Company under Section 336 of the SFO, or who is directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any member of the Group.

## **DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES**

At no time during the reporting period were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company or of any other body corporate granted to any Directors or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company, its holding company or any of its subsidiaries a party to any arrangements to enable the Directors, their respective spouse or children under 18 years of age to acquire such rights in the Company or any other body corporate.

## **PURCHASE, REDEMPTION OR SALE OF THE LISTED SECURITIES OF THE COMPANY**

Neither the Company, nor any of its subsidiaries, has purchased, redeemed or sold any of the Company's listed shares during the three months ended 30 June 2012.

## **INTERESTS OF THE COMPLIANCE ADVISER**

As notified by the joint compliance advisers of the Company, Grand Vinco Capital Limited and Ample Capital Limited (the "Joint Compliance Advisers"), neither the Joint Compliance Advisers nor their Directors or employees or associates had any interests in any class of securities of the Company or any other company in the Group (including options or rights to subscribe for such securities) as at 30 June 2012. Pursuant to the agreements dated 28 September 2011 entered into between the Joint Compliance Advisers and the Company, the Joint Compliance Advisers received and will receive fees for acting as the Joint Compliance Advisers.

## **DIRECTORS' INTERESTS IN COMPETING INTERESTS**

During the three months ended 30 June 2012, none of the Directors, the management shareholders of the Company and their respective associates (as defined in the GEM Listing Rules) had any interest in a business which causes or may cause a significant competition with the business of the Group and any other conflicts of interest which any such person has or may have with the Group.

## **CODE OF CONDUCT REGARDING 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 set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all Directors, the Company was not aware of any non-compliance with such required standard of dealings and its code of conduct regarding securities transactions by Directors during the three months ended 30 June 2012.

## **CODE OF CORPORATE GOVERNANCE PRACTICES**

In the opinion of the Directors, the Company has complied with the code provisions as set out in Appendix 15 to the GEM Listing Rules from the date of Listing up to 30 June 2012, except code provision A.2.1 which provides that the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. The Board considers that the Company is still in its growing stage and it would be beneficial to the Group for Mr. Wong Kam Wah to assume both roles as the chief executive officer and executive chairman of the Company, since the two roles tend to reinforce each other and are mutually enhancing in respect of the Group's continual growth and development. When the Group has developed to a more sizeable organization, the Board will consider splitting the two roles. With the strong business experience of the Directors, they do not expect any issues would arise due to the combined role of Mr. Wong Kam Wah. The Group also has in place an internal control system to perform the check and balance function.

## AUDIT COMMITTEE

The Company set up an audit committee (the "Committee") on 21 September 2011, with written terms of reference in compliance with the GEM Listing Rules, for the purpose of reviewing and providing supervision over the financial reporting process and internal control of the Group. The Committee comprises three independent non-executive Directors, namely Mr. Chiu Chi Kong, Mr. William Robert Majcher and Mr. Yau Yan Ming Raymond (as the Committee chairman) and an executive Director, Mr. Lau Ling Tak. The unaudited condensed consolidated first quarterly financial statements of the Group for the three months ended 30 June 2012 have not been audited by the Company's auditors, but have been reviewed by the Committee, who is of the opinion that the first quarterly financial statements comply with the applicable accounting standards, the Stock Exchange and legal requirements, and that adequate disclosures have been made.

By Order of the Board  
**Chanceton Financial Group Limited**  
**Wong Kam Wah**  
*Chairman*

Hong Kong, 13 August 2012

*As at the date of this report, the executive Directors are Mr. Wong Kam Wah (Chairman), Dr. Cheung Victor Chor Keung, Mr. Leung Man Kit and Mr. Lau Ling Tak, non-executive Director is Ms. Man Wing Yee Ginny and the independent non-executive Directors are Mr. Chiu Chi Kong, Mr. William Robert Majcher and Mr. Yau Yan Ming Raymond.*